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Focus on Black Business Advancement

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SOUTH AFRICA

Focus on Black Business Advancement

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*** SBDC Manager Comments**

92AF0738A Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 p 19

[Article by Wolfgang Thomas, Western Cape manager of the Small Business Development Corporation: "A Long Way To Go"]

[Text] In the debate about black social and economic advancement the focus has seldom fallen upon black business involvement as a critical factor. In the past, efforts in this sphere were often viewed with suspicion, given the close association between apartheid, capitalism and business. Supportive action that benefited individual entrepreneurs had the bitter taste of perpetuating inequalities and co-opting blacks into an exploitative system.

The downfall of communism and socialism, coinciding with the rediscovery worldwide of the virtues of profit and competition, and the abolition of South Africa's racial system, gave rise to a re-evaluation of the role and significance of black business involvement. This focus on African entrepreneurship coincided with the new wisdom that small enterprises and the informal sector constitute the backbone of a developing country's job creation process. With the alleviation of poverty and a steady improvement in the quality of life of South Africans so closely related to successful job creation, black business advancement suddenly moved to the centre of attention in the search for feasible development strategies.

South Africa's history of suppressing black entrepreneurial advance is grim, as Archie Nkonyene highlights in his background paper. The disappointingly low share of black control of our business wealth follows logically. No wonder, therefore, that black political and business leaders alike now demand effective and focused strategies for the promotion of black business.

In contrast with other areas of black socio-economic advance, the development issues related to the advancement of blacks in the business scene and the upliftment of businesses in black townships are extremely complex and often contradictory. Why are blacks shopping in modern hypermarkets, yet wanting to prohibit the national chains from operating inside townships? Can black employees who advance along the managerial ladder of large companies also be regarded as entrepreneurs?

Underlying these broad issues are dozens of very specific problems, development barriers and areas of possible tension, unknown to most outside observers of the business scene. At grassroots level, seemingly idyllic fleamarkets, township shebeens and hawker colonies look a lot less attractive at close quarters, just as many idolised black business leaders are closer to bankruptcy than to cosy retirement near Sun City.

The basic elements of an appropriate strategy for black advancement in business are well known, both here and internationally. Conventional wisdom places much emphasis on the supply of capital and business premises, information, advice and training, access to marketing and sub-contracting facilities and involvement in the business networking process. With respect to these aspects there is also little difference of opinion between socio-political constituencies in South Africa: in essence the strategies for black business advancement do not differ much between supporters of the African National Congress (ANC), the Democratic Party (DP), the government and the National Party (NP), and the South African Chamber of Business (Sacob). They are also the basis of supportive action by the small business organisations—with the Small Business Development Corporation (SBDC) the largest and most influential.

If one looks more closely at the contribution of black leaders, however, differences in nuance become striking and alternative strategies demand important choices. Possibly the most fundamental question relates to the extent to which black business development is allowed or encouraged—if not compelled, as in the apartheid era—to develop on its own parallel or in competition with non-African enterprises.

The best examples of this parallelism include the rapid growth of the township informal sector during the 1980s, the rise of a few fiercely independent black business leaders—basing their success mostly on the black segment of consumer markets—and efforts to create and strengthen black business support organisations. The latter include the National African Federated Chamber of Commerce (Nafcoc), the Foundation for African Business and Consumer Services (Fabcos) and their many affiliates. This strategy is also reflected in distrust towards non-African competitors inside or near black townships, and the call for separate black support organisations. Group solidarity is to play a significant role in the mobilisation of consumer demand and networking support.

In contrast, a strategy of partnership places the emphasis on the interaction between black and white business interests and the scope for black entrepreneurial apprenticeships in white-controlled enterprises. The focus falls upon franchising, sub-contracting, black management advancement in larger enterprises, joint ventures, mixed shareholding, black management buy-outs, racially mixed industrial hives and the preparation of structured financing packages. This second strategy gives less autonomy to the ascending black entrepreneur, yet it decreases the level and intensity of risk and strengthens the process of experience transfer.

Judging from the small share of black enterprise in the business scene, the challenge lies in an appropriate mixing of these two approaches rather than in a rejection of either. It is hoped that the contributions brought together here go some way towards showing the many facets of these two strategies.

* Historical Perspective

92AF0738B Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 pp 20, 23

[Article by Archie Nkonyeni, deputy president of the National African Federated Chamber of Commerce: "Overcoming the Legacies of the Past"; This is a shortened version of an address to the BRI [expansion not given] Conference on "Investing in South Africa," held in London in February 1992; first paragraph is DIE SUID-AFRIKAAN comment]

[Text] After years of frustration in the wasteland of economic apartheid, blacks are beginning to assert themselves directly and indirectly in the world of business.

The story of black business in South Africa is more like a catalogue of human frustration, courage and resilience than a historical record of entrepreneurial ingenuity and adventurism. It is a story of sadness if one dwells on the list of individual men and women who, while searching for an escape route from unemployment and landlessness, found themselves confronted by a plethora of man-made external constraints over which there was absolutely no chance of success. It is also a story which, if viewed from the angle of organised black business as a whole, will continue to be a source of great inspiration as it focuses on a business community which, without any formal training, without a suitable infra-structure, without capital, and without encouragement from whatever source, was fired by this burning desire to become players in the process of wealth creation.

They are a testimony to the selflessness of people whose desire for profit was not to be allowed to transcend the interests of the larger society in which they were operating. Hence the readiness of black business today to acknowledge that a free enterprise system, which makes profit the sole object of a business, will not bring about the stability which is absolutely essential for a climate in which foreign investment can best be enticed.

The Historical Perspective

It must have been in the early thirties that black people first began to move hesitantly into the world of business. In a number of instances, the hesitancy was imposed on them by the licensing arrangements under which they were allowed to operate under the jurisdiction of the authorities who controlled this aspect. For example:

To qualify for a licence, a black person had to satisfy the authorities that he/she had the necessary "residential qualifications" in terms of the Pass Laws.

Preference was given to people who had reached retirement age; for a young person to aspire to business was regarded not as a sign of entrepreneurship but rather as evidence of "reluctance to work" or sheer laziness.

The business applied for had to be a one-man business and no partnerships or companies were allowed. This meant that the people with the most inadequate

resources for going into business were denied the obvious advantages of pooling their limited resources.

There had to be complete proof that the capital with which the business was to be started, was available. Borrowed capital was not considered.

The range of commodities allowed was greatly restricted. A General Dealer's Licence, restricting the applicant to sell only wood and coal was not unusual. Illuminating paraffin was highly inflammable and could not be safely handled by a black businessman.

It is against this background that blacks today find themselves operating on the periphery of South Africa's business life. The legacy of exclusive capital is the reluctance of black South Africans to believe that there is nothing better than free enterprise. Yet, black exposure to what was effectively free capitalism for whites and total exclusion for blacks is primarily responsible for what appears to be leanings towards a socialist order.

The Advent of Organised Black Business

These restrictive practices had an extremely negative effect on the development of business among black people. The restrictions were made more rigid in the period between the assumption of power by the Nationalist Party in 1948 and the immediate aftermath of Sharpeville in the early sixties. The only weapon available to black traders was unity; they decided to form a nationwide organisation for the protection of their interests.

Thus in 1964, the National Chamber of Commerce (NACOC) was established. It was a union of business people which transcended all tribal differences. The government felt threatened by this obvious show of black unity, particularly at a time when the homelands policy was being implemented. The authorities then ordered the organisation to disband and re-establish itself along ethnic lines, in tandem with the nine Homelands. NACOC would not agree and gave greater autonomy to regional formations, bringing them together on a federal basis.

Hence the change of name to the National African Federated Chamber of Commerce (NAFCOC) in 1968. The government refused to meet with any delegation from, or communicate with NAFCOC in any way. This lack of contact carried on for seven years and it was only in 1975 that NAFCOC and the government had direct talks.

Black Initiated Projects

One of the first programmes spearheaded by NAFCOC was the initiation of black owned projects. The first of these was the Black Bank which, though conceived in 1964, was only established in 1974 as it could not raise the R[ands]1 million required for the project.

Today, black business can claim to have initiated and have come to control many businesses in the formal

sector, among them African Business Publications, African Federated Transport Organisation, South African Black Taxi Association, Lebowa Bakeries, National Sorghum Breweries, a television station known as Broadcast Interest Group and a fairly large number of small to medium sized general dealerships throughout the rural and homeland areas of South Africa. At the same time there are large numbers of hawkers, taverners as well as Spaza shops in the informal sector.

Black Business Advancement in South Africa

Much of the debate about the growth of black business still centres around the question of the present size of black participation in South Africa. Lack of reliable statistics and the absence of conceptual clarity hamper any attempt to obtain a clear and objective view. To grasp the role and significance of black people on the business scene, we have to distinguish different ways in which they can participate in business.

Black employees can advance towards managerial or executive positions in enterprises that are neither owned nor dominated by blacks. While it remains an open question whether (or how rapidly) they attain "real power" in those positions, there is little doubt that in the medium term, blacks will play an increasingly important role in this sphere of business. At this stage, however, black managers or executives hardly exceed two to three percent of the whole managerial class in the economy of South Africa.

Share-ownership by blacks: Among the companies listed on the Johannesburg Stock Exchange, black business hardly constitutes more than one to two percent of all direct shareholdings, with the proportion increasing at best by no more than 0.5 percent annually. Of the black initiated or black controlled ventures referred to earlier, I know of only two (Lebaka and National Sorghum Breweries) that are listed on the Stock Exchange. Indirect shareholdings in listed companies through pension funds, mutual trusts and other schemes include a relatively higher percentage of blacks (about six to eight percent) and this may also rise faster in view of the significance of black contractual savings. Black shareholdings in non-listed companies may be as low as two percent, primarily because black investors are very cautious about anything other than tried and tested investment channels and few of these companies make any effort to attract black investors. However this is changing very fast.

Black co-ownership: In some medium to larger private enterprises this type of ownership is in the order of two to five percent, with the exception of certain specific sectors like transport taxis and liquor retailing. Here again the share is likely to rise rapidly since it is quite likely that white controlled businesses will want to be seen to have some sort of black involvement. In the homelands and in the townships, the black share is already much higher than in other parts of the country.

Black sole owners: In the small formal enterprises black sole owners already play an important role in spheres such as retailing, personal services (for example hair salons), metal work and similar activities. In total this could easily be in excess of 15 percent. However, with the opening of black townships to all races, there is a very real fear that bigger national chains and franchises will push out small entrepreneurs and effectively erode the progress that blacks have made in this field.

Informal sector: It is widely assumed that blacks dominate the wide spectrum of informal sector activities. This is not quite true since many flea-market operators are non-Africans. Within the category of "survival entrepreneurs" blacks probably make up 80 percent of the total, whilst their share in some of the upmarket informal sector establishments (production services, trade and accommodation) could be lower than 50 percent. Naturally the picture differs between geographic areas and even different parts of the same town or city. If one puts together all informal sector activities it is likely that Africans control 40 percent of the number of informal sector enterprises and closer to 30 percent of capital or turnover.

If we now take a broader view of business and include state enterprises and semi-state corporations it is generally agreed that most of these organisations are controlled by whites, both through their governing bodies and executive positions. But once blacks are able to participate actively in the political process on the basis of majority rule it would be easy to argue that the control of these state and parastatal enterprises will eventually rest in black hands. Since the state and semi-state sector contributes about 25 to 30 percent to the Gross Domestic Product, the overall picture of black participation in, or control of business could change rapidly in a post-apartheid South Africa.

Finally we can look at participation in a much wider context as it is usually viewed in discussions on black economic empowerment. Here we include the indirect influence blacks can assert through their participation in statutory bodies, planning committees, controlling boards, professional or trade associations and other bodies. While it is only in recent times that many of these have started to include more than just the token black member, black influence in these structures is expected to increase fairly rapidly in the near future.

Putting all these elements together, one can conclude that, due to the legacies of the past, effective black participation in the business sphere is hardly more than 10 percent even though, as a group, blacks constitute as much as 75 percent of the population. Their share is much higher in both independent and self-governing homeland areas, but these only contribute about four percent to the GDP of South Africa.

Looking ahead, the rise in the share of blacks in business control will depend on changes in each of the segments discussed above.

Various historical factors will influence different segments in different ways. Regardless of the impact of any unforeseeable influences, the crucial determinants will be:

- demographic shifts;
- rising real income levels of black South Africans;
- upward mobility of black employees;
- the transition of black enterprise from informal to formal;
- autonomous and stimulated growth of black share ownership;
- the success of joint ventures between black entrepreneurs and other enterprises;
- affirmative action with regard to the segments discussed above; and
- movement towards more worker participation and co-ownership.

It is around these determinants that a cohesive strategy for black business advancement and black economic empowerment will have to be structured. South Africans must take active steps to move towards more equitable control and ownership of the national assets. For example NAFCOC's proposed 3-4-5-6 programme for black involvement in companies listed on the Johannesburg Stock Exchange, indicates the following targets for the year 2000:

- black representation in company boardrooms should not be less than 30 percent;
- black participation in the equity of such companies should not be less than 40 percent;
- external purchases from black suppliers should not be less than 50 percent; and
- black involvement in management positions should not be less than 50 percent.

* Development Challenges

92AF0738C Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 pp 24-25

[Article by Eugene Nyati: "The Challenge of Business Development"; Eugene Themba Nyati was born in a village outside Newcastle. While working as a financial journalist, political analyst, investment researcher and scenario planner, he published numerous articles on economics and politics. He is currently the Director of the Centre for African Studies, an independent policy research organisation based in Johannesburg; first paragraph is DIE SUID-AFRIKAAN comment; quotation marks as published]

[Text] A political settlement in South Africa will not necessarily lead to a massive inflow of foreign capital and investment. To survive economically the country will have to face a number of challenges and rely on its own competitiveness and efficiency.

With high inflation, the continuing recession and political uncertainty South Africa is not a very attractive investment option. On top of this, high personal and

corporate tax rates on an effectively declining base continue to discourage new investment and savings.

Even after reaching a political settlement, the country should not expect massive investment and inflows of foreign capital. We therefore have to rely increasingly on our own competitiveness and efficiency to survive economically. With political stability and a sound policy environment, this could be accomplished.

One of the keys to this possible future is the systematic and committed development of enterprise. The challenge to present and future governments is to nurture and support both small—including informal—and big business consciously. The informal sector must be assisted to become formal through structural support by increasing access to credit and sound accounting and management practices. The aim must be to increase the number of economic players in the national economy. This will increase the tax base and smooth out the vagaries of fiscal dependence on fewer taxpayers.

For at least ten years after settlement our national budget can be expected to be characterised by deficit spending as the new government battles to redress the apartheid legacy in respect of inadequate welfare expenditure in education, health and housing. Technically, a deficit can be managed, as long as it is kept within limits justified by the need for healthy economic performance. To balance the needed (and politically popular) welfare spending against the prevailing fiscal base, while not stifling growth through excessive interest rates will be the future government's challenge in the immediate post-independence phase.

Apart from the directly political, the internal challenges to the effective development of the small business sector include the elimination of poor management, limited or lack of access to credit, a proliferation of apparently un-coordinated development agencies, failure to develop a regional focus and poor or non-existent business synergy across racial lines. It is to these factors that we will turn.

Management Efficiency

Poor management skills continue to bedevil the effectiveness and impact of the small business sector on overall economic performance. This problem is further complicated by the failure of small operators to realise their management deficiencies. It must be understood that effective enterprise goes beyond the personal pleasure of ownership. Sound management must at all times underpin local, national and international competitiveness. Mere talent and gut-feeling are not sufficient to guarantee success in modern-day business.

The country's net economic competitiveness—both domestically and internationally—is in turn influenced by the management efficiency at every stage of development.

With regard to the informal sector, the aim must be to graduate to the formal sector as soon as possible. Unless it is better organised and properly accounted for, the much talked about informal sector—laudable as the enthusiasm might be—could end up a disappointing mirage with little impact on the nation's quality of life. Mere de-regulation and presence of disorganised multitudes on sidewalks selling mangoes do not necessarily translate into sufficient growth. If that were the criteria, then Zaire would be among the world's fastest growing economies. And of course it isn't. The suggestion that one automatically graduates from being a hawker today to being an industrial giant tomorrow is a cruel joke on people who can least afford to laugh. It must be used only sparingly.

Access to Credit

One of the fundamental flaws to current enterprise development policy in this country is the inadequacy, indeed, in respect of the informal sector, absence of well thought-out structural support to small business. Until recently there was almost naked bureaucratic policy hostility to black business and the informal sector. To all intents and purposes planners appeared to define economics strictly in terms of the state sector and the 'big' private sector.

Partly because of its unstructured nature, but also because of institutional prejudice, financial lending to the informal sector remains constrained. In fact, there needs to be a thorough review of current legislation governing financial institutions. Examples from elsewhere in the world indicate that the present 'Western, first world' concept of lending and banking fails to meet the enterprise development needs of cultural environments in the developing world. In many places in Africa and Asia, personal relationships and social pressures are more effective in securing loan repayments than formal guarantees. In South Africa concepts like the 'stokvel' deserve more attention and study than merely treating them as some 'exotic native relic'. Given our legacy and the dispossession of blacks in this country, our continued reliance on orthodox credit worthiness criteria can only deepen black exclusion from competitive business.

While it is important that the country conforms to acceptable international commercial practices, we should not adopt European or American standards willy-nilly.

Besides inadequate access to credit, small business promotion has not always paid attention to vertical and horizontal integration to other sectors or indeed within the same sector. Government or private sector encouragement to a women's club to make dolls should, for instance, extend to help in securing markets for the product, both within and outside the country. Private sector sub-contracting to black business remains at levels of tokenism.

Development Agencies

There is a plethora of development agencies in South Africa that often duplicate effort and are manifestly lacking in a co-ordinated national development strategy. Given the poor state of the economy we can ill-afford such resource misallocation and waste. Most of the development agencies are apartheid artifacts that have failed to adjust to the changed times and remain frozen in time in terms of their very existence or focus. Because of their pungent history, it is arguable whether they can all be sufficiently refurbished to ensure credibility with their intended beneficiaries. While some could be restructured and modernised in a manner consistent with changed priorities, many more may need to be scrapped. This writer would like to recommend that an independent body be appointed to review the relevance and desirability of the many remaining development agencies. There is nothing inherently wrong in a multiplicity of development bodies, as long as their work is sufficiently harmonised to minimise duplication. This is essential in respect of those funded by the tax payer.

The good work done by competent business development agencies is quite often clouded by numerous pretenders to the crown. Sadly, in the name of developing black business, many opportunists have raised millions and thrived, without achieving much of lasting benefit for black enterprises.

There is genuine international concern and support for business development efforts in this country. The government and opposition parties should seek to devise a broadly acceptable enterprise development plan to ensure that future funding is properly channeled. There is virtual political consensus on the need of a vibrant small business sector and the evolution of a national policy need not wait for a constitutional settlement. It is, furthermore, essential that such support be channelled through independent and credible institutions.

This invites far-reaching restructuring of bodies such as the Development Bank of Southern Africa and the Small Business Development Corporation, and possibly the establishment of some new foreignly funded development agencies.

Synergy Across Race

Apartheid policies fouled race relations and created mistrust which remains an impediment to a fuller utilisation of this country's resources. Racial and ethnic parochialism invaded every aspect of national life including small business. The desirability of racially or ethnically focused chambers of commerce may need to be reviewed as economic democracy and equity are established hopefully in the not-so-distant future. The effective integration and synergy between black and white business people at every level is a sine qua non for long-term viability of the overall enterprises sector. The sooner whites and blacks learn to work together in an atmosphere of mutual trust, the better for this country. It

does not pay to wish away racial prejudice. Rather acknowledge and deal with it.

Regional Integration

The immediate spinoff of a domestically and internationally recognised political settlement is the real prospect of the rest of the world opening up to us. While the bulk of South Africa's manufactured exports are unlikely to be competitive in either Europe or America, Africa remains a most logical and viable market. Despite current political constraints, our trade surplus with Africa is already in the billions of dollars. With its technological edge, this country should seek to engender trust as a reliable 'all-weather' development partner in the region. We should consciously promote re-integration into the region and join regional rationalisation of trade and investment patterns. The Southern African Development Co-ordination Conference (SADCC) is a relevant case in point.

Our enterprise sector should also retain such a perspective as they plan for the future ahead. South Africa should seek to use its competitive advantage within the context of mutual cooperation rather than the aggravation and antagonism of the past. We will have to develop new relationships and learn not to patronise our neighbours. This applies as much to the politicians as it does to business people.

The Challenge

The centrality of politically and socially-sensitive private enterprise in national economic development is accepted all over the world. In South Africa, enterprise—especially at the small business level—will be crucial in the creation of jobs and thus underpin the expected political settlement. In order to realise its potential, however, far-reaching policy and structural changes are needed in both the policy and the practices of the entrepreneur.

The demise of the apartheid albatross is merely the first step in the long overdue overhaul of the conduct of business. Principal among these is management skills. Equally important is the need of structural support in the medium and long term. The country's regional competitive edge has not been fully utilised and this is an opportunity we should not miss.

* Past Mistakes

92AF0738D Cape Town *DIE SUID-AFRIKAAN*
in English Apr/May 92 p 27

[Article by Christoff Oosthuysen, Project Coordinator for *DIE SUID-AFRIKAAN* and editor of community magazine *ONS LEER MEKAAR*; first paragraph is *DIE SUID-AFRIKAAN* comment]

[Text] Patrick Ncube, senior research fellow at the University of Cape Town and economist of the African National Congress [ANC] Economics Department,

spoke to Christoff Oosthuysen about economic development and redistribution of resources.

Ncube: Many people misunderstand the ANC when we say that there must be redistribution in South Africa. By redistribution we mean two things. Firstly, it concerns giving resources to those who did not have resources before. When we talk about redistribution we are not talking about handouts, we are talking about democratisation of the economy at various levels. We are talking about reducing unemployment and about supporting the informal sector and small business. This is redistributing sustainable resources. But there should also be a second kind of redistribution. That is the redistribution from the big urban centres to the different rural and depressed areas.

In order to stop violence in South Africa people must feel that they have a stake in South Africa's economy. The ANC believes that this is only possible when we democratise the economy. The formal sector will not be able to absorb the nearly 7 million unemployed. That is why we are looking at the informal sector and small business as a way of securing economic growth and the creation of jobs.

[Oosthuysen] In some big corporations it is argued that partnerships between big and small business should be encouraged. Does sub-contracting of tasks provide the opportunity for black empowerment or does it bring small businesses and the informal sector under the control of the big corporations?

[Ncube] We agree that sub-contracting has to be one of the ways in which redistribution is done. If sub-contracting is done in the same way as in countries like Japan I do not see any difference in whether they own the small business or not. The most important thing is providing the resources to start a small business. The big companies must also be willing to buy the products. Big business can also help to overcome some of the big constraints like credit and the lack of management skills.

According to an ANC study conducted by Max Sisulu and myself, there are three major areas of restriction on small business and informal sector development. The first is credit. We make some interesting suggestions, like that the banks and stokvel organisations should come together to see whether they can resolve existing problems and provide credit to more small businesses.

Another area of constraint is the infrastructure. At certain places where trading takes place there are no toilet facilities and at other places people have to stop working when it rains because they have no shelter. The government and big business should be involved in solving these problems and should assist in infrastructure development. The existing attempts by, for instance, the Small Business Development Corporation are mostly aimed at the upper layers of small business. We want them to move a little further down and also deal with the border line between the informal sector and small business. This should also be aimed at rural towns. If we do

not look at rural development we are going to have a situation where we will not be able to deal with urbanisation.

A third area that we have identified is legal restrictions. The question of land ownership should be resolved as soon as possible and the land zoning and "hygiene fascism" should be relaxed. When black people can own a piece of land where they can start a business, the growth of more small businesses will become possible.

A fourth area is government monopolies like the marketing boards which are doing buying and selling. It is high time for re-examining the inefficiency of these monopolies. They should be opened for competition. We believe that competition is absolutely essential for economic growth. Especially in the rural areas this will bring more people into economic activities.

[Oosthuysen] The changes you propose are not in the hands of the people involved in the informal sector and small business. How will one move towards removing these restrictions?

[Ncube] We feel that this should be tackled politically because the current situation is the result of previous government policies. When we talk of redressing we hope that all parties, including big business, are serious about the "new South Africa." We do not want to enter into this thing in a disruptive manner. We would like to find a situation where we are assisted by big business to move into a new dispensation. For instance, we propose a Competition Court, where anybody who feels he was wronged in competition could go to, and a Small Business Ombudsman to whom a small businessman can take his case when he feels he was wronged by the government. These measures should prevent misuse of power and corruption by big business and the government.

We are now moving into a new dispensation and we must accept that, in order for our economy to grow, there must be some sort of basic economic principles agreed between trade unions, the employers and the government. Some people are talking about an economic forum and others call it a social contract. This concerns the people that are already employed, but what about the unemployed?

The unemployed want to know what the society we are trying to build will provide for them. One way to deal with their expectations is to look at the needs of the unemployed and lower income category. These are issues like housing, electricity and education. When we build schools and clinics it should be done with labour intensive methods and the local people should get these jobs. In that way you are spreading the money put into the developments. Another limited possibility is that of public works. It must not involve doing ridiculous things, but could, for instance, be the improvement of the infrastructure for small businesses.

* Need for Black Advancement

92AF0738E Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 pp 28-29, 31-32

[Interview with Nthato Motlana and Wiseman Nkuhlu by Dries van Heerden and Wolfgang Thomas; place and date not given; Dries van Heerden is freelance journalist based in Pretoria; Wolfgang Thomas is Western Cape manager of Small Business Development Corporation; first paragraph DIE SUID-AFRIKAAN comment]

[Text] Dries van Heerden and Wolfgang Thomas interviewed Dr Nthato Motlana of the Get Ahead Foundation and Prof Wiseman Nkuhlu of the Independent Development Trust on the need for black advancement.

DSA: Do you regard black business participation as vital to the process of black economic development in South Africa?

Nkuhlu: Increased economic participation is the only solution to poverty and the restoration of personal dignity. Politically it is important for stability. It is only when blacks have a stake in the formal economy that they will have a sense of pride in the economic achievement of the country.

Motlana: I regard black participation as of critical importance because the government has over years excluded blacks from business. They were prevented from becoming businessmen and entrepreneurs in a deliberate way, to the extent that blacks started to think that business is not for them.

It is very important therefore to release these energies—73 percent of the population is black and you cannot treat this large majority merely as consumers. We need to create role models of blacks in industry who control huge conglomerates. But I am particularly interested in blacks becoming mine managers and foremen—these are the people who really create and produce. Blacks must be in there and they are not.

DSA: What would you regard as the critical elements in the process of African advancement in business?

Nkuhlu: Sound basic education, access to economic resources—credit and land—skills training, advisory resources, and a culture that encourages young people to seek challenges and to aim to be self-reliant.

DSA: What would the principle of affirmative action imply in the sphere of black business?

Nkuhlu: Enabling blacks to benefit from increased economic opportunities, accelerated skills training, monitoring of racist tendencies, support through better access to capital and sub-contracting arrangements, and preference of blacks where they have the minimum requirements for a position.

DSA: Should firm quotas be set for the advancement of blacks in managerial, directorship, entrepreneurial and other executive positions?

Motlana: I don't think quotas are a very good thing. But when it comes to issues such as admission of black children to places such as medical schools or business schools—where blacks have traditionally been excluded—some form of quota system should be introduced. As far as business is concerned I would welcome the introduction of affirmative action.

When you speak of this, racist South Africans always imagine a little girl from Soweto flying a Boeing 747 from Johannesburg to Cape Town. I am not talking about such absurdities. I am talking about the ordinary workplace. Take for example the Johannesburg City Licensing Department. In that eight-storey building I have yet to see a young black girl performing ordinary tasks serving the public.

Affirmative action means that we should open up opportunities. I would prefer to see solutions without quotas. But if the doors of industry remain shut a democratic government may insist on quotas. You would not have to impose quotas on a place like Eskom [Electricity Supply Commission], because Ian McRae has opened doors to blacks at all levels. Whether they will avoid government action depends on what individual companies do themselves.

I am old enough to remember when Afrikaners took over the government in 1948. The South African Railways was run by a highly competent general manager, who was retired at the ripe old age of 43 to make way for an Afrikaner. We don't want to do that, but if we are forced we may have to take similar measures.

DSA: Professor Nkuhlu, you are the national president of the Black Management Forum. What is the BMF doing to accelerate black management advancement?

Nkuhlu: Publicising successful black managers, promoting awareness and interest in management amongst blacks, providing career guidance, monitoring employment policies of companies and encouraging the development of more appropriate management practices.

DSA: Is the faster advancement of black managers in established white-controlled enterprises a meaningful path for the development of black entrepreneurs?

Nkuhlu: Yes, it provides experience and exposure to big business. But it does not necessarily lead to entrepreneurship, since the comfort of a secure job may discourage blacks from starting their own business.

DSA: Is big business in South Africa doing enough to encourage or facilitate blacks in business?

Motlana: Big business has conveniently hidden behind the skirts of the apartheid government. When the government introduced laws such as job reservation or restrictions on black apprentices they loved it. They made very little effort to employ blacks gainfully.

I drive a little Honda. I take it down to the Mercedes dealership in town and I always ask why there are no

black apprentices. Big companies do very little in this regard. They tell me about the standards of black matriculants, but no attempt is made to apprentice blacks.

Blacks are still mostly in the "relations business," that is industrial relations, public relations, government relations, but when it comes to working with finance, accountants, foremen, there is nothing. We are employed to talk to visitors from overseas and take them around. They use us for window dressing. Put a sign on the door—customer engineer—but what do they do? Nothing.

DSA: Is access to capital one of the most critical factors for black business?

Nkuhlu: Yes, blacks lack assets to secure loans.

DSA: Why are financial institutions not filling this gap?

Nkuhlu: Black enterprises are perceived to be high risk. Banks lack understanding of the black market and place too high a rating on political stability. In short, they do not yet perceive the granting of loans and share capital to black enterprises to be in their interest.

DSA: Should the insurance companies and other institutional investors be compelled to channel some of their funding into township prospects or black enterprises?

Motlana: There is no question whatsoever that a democratic government will insist that a certain amount of their money must go into social programmes. There are millions of blacks who are pouring money every month into insurance companies. When are they going to erect shopping centres in Soweto as they do in white areas?

I am told about R[ands]20 billion of black money is invested in these companies. Surely their social consciences should be pricked to reinvest some of it—even if it is only 5 percent—back into the community. They should be compelled to do it and I am sure they will be.

Nkuhlu: A way must be found to channel insurance savings towards productive investment. Infrastructure improvements in historically black areas also demand vast amounts of capital and are a high priority. I am in favour of prescribed assets.

DSA: Do you regard stokvels as important institutions to mobilise capital?

Motlana: It should be remembered that the stokvels are in fact an urban phenomenon. They grew out of the hostel environment where people clubbed together to help each other. I had a friend who held a stokvel party for one whole weekend. At the end of it he had enough money to buy himself a car. I think it will survive the banking system because banks insist on things ordinary blacks cannot provide. At the Get Ahead Foundation, we lend money to groups on the stokvel system because peer group pressure ensures that they repay the loans.

DSA: Is there a role for foreign investors or aid agencies in supplying capital for black enterprises?

Nkuhlu: Yes, they should supply venture capital to move into new areas or help blacks to sub-contract in high technology areas, for example, making jewellery from gold. The same could apply in the sphere of black contractors interested in tackling big housing infrastructure projects.

DSA: What role should support organisations like the Small Business Development Corporation (SBDC) play with respect to the mobilisation of capital for black business?

Nkuhlu: The SBDC should be more aggressive and innovative and tackle bigger projects, and also move into the micro group loans category.

DSA: Should government do more to stimulate black business advancement?

Motlana: Our present government has done the exact opposite. They took active measures to prevent blacks from starting or expanding businesses. They went out of their way to impoverish blacks. There have been some welcome changes such as the work done by the SBDC, but it was very late in the day.

Clearly an incoming democratic government will have to do something positive. Despite the lack of growth in the economy as a whole, the informal sector is growing to the tune of 18 percent. Government ought to actively tackle poverty and job creation in order to ensure that small businesses emerge. With unemployment in some areas running at 60 percent, one often asks how do these people survive? Clearly they have a well-developed survival instinct. The spirit of entrepreneurship is there; it just needs to be harnessed.

DSA: Do you believe that NGOs (non-governmental organisations) and other non-profit organisations have a role to play? What about the churches?

Motlana: I believe NGOs are very important in the stimulation of business. And so are the churches. The history of the United States has shown how churches can form social and economic centres for disadvantaged communities. They provide food, health care, education. They are powerful institutions. There the black churches are completely independent in contrast with here, where the black Dutch Reformed Churches depend almost entirely on the white church for their stipends.

Blacks need to do what Afrikaners did a few decades ago. Blacks admire how the Afrikaners made Sanlam [South African National Life Assurance Company] what it is. We would like to do the same thing. Yet, we find that our ways are often blocked by white big business. For instance, we have started with burial societies and soon found that big white-controlled companies shamelessly pinched our ideas and market. Economic empowerment is being denied to us, first by government and now by big business.

We are not looking for charity. All we ask for is space. Give us the space for development. We want to make it on our own, yet white big business is not helping us in this regard.

So, when a democratic government comes to power, one of the things they will have to do is to say, like Dr Malan said in 1948, "we want to create space for our people in the civil service and the parastatals." So we ask of big business now, give us the space, don't block us, because we will ask the government we elect to open these paths to us.

DSA: What should be done about the poor quality of shopping facilities in townships?

Nkuhlu: The quality in black areas needs to be improved. This will make shopping in the townships more attractive and channel more consumer spending to the area. Given the high cost of transport, it is also essential to bring jobs closer to the townships.

DSA: Should national retail chains be encouraged—if not compelled—to accept the higher risks and open outlets inside townships?

Nkuhlu: It will be difficult to compel them. They should be encouraged to form joint ventures with rival black parties. This should also include the upgrading of black business.

DSA: Is the gradual upgrading and consolidation of thousands of spazas and corner shops a solution to the advancement of blacks in business?

Nkuhlu: No, not an alternative to the advancement in larger enterprises, both inside and outside the townships. The gradual development of spazas is, however, important. They should not be harassed and must be given better access to capital.

DSA: Would you agree with the total deregulation of hawking and other types of informal trade and services—in order to create maximum scope for black self-employment.

Motlana: You cannot speak of complete deregulation. There have to be some controls. I am all for the deregulation of the hawking industry but I cannot tolerate the fact that Jeppe Street becomes impassable and that people are unable to walk along the pavement because there are bananas and apples everywhere. In Zimbabwe the same thing happened after independence but Mugabe solved it by allocating some parts of town for hawkers. That must be done here as well. There is no way we can allow the big cities to be turned into slums.

DSA: What do you see as the root of the so-called taxi war?

Motlana: This is a very vexed problem with many facets. In the Western Cape, there seems to be a battle between

the haves and the have nots, with the people who have been there for many years resenting the intrusion of newcomers.

There is a feeling that in deregulating the taxi industry, far too many licenses have been issued, while at the same time local authorities are not providing the ranks. So it is a question of a battle for available space.

There are also an increasing number of non-Africans moving into the taxi industry. In the Western Cape a significant number of taxis are owned by whites and the passengers soon come to know the difference.

The same thing happened in Natal when Indians moved into the black market. In a town like Vryburg in the northern Cape, it is quite obvious which taxis are owned by the local traffic cops, because they go through stop streets and load everywhere in town without being arrested.

What we resent is that, as soon as blacks identify a niche in the economy, white capital just moves in to block our development. It is very unfair and in the taxi industry it has thus far led to a lot of bloodletting.

DSA: Would you regard democratically run co-operatives as important vehicles for black self-employment and business development?

Motlana: I believe co-operatives are a very important vehicle. I am involved in one concerned with funerals and burial societies and it is working like a charm.

However, I often question the phrase "democratically run." The one problem with democracy is that you get together and discuss matters and then appoint some sub-committee to investigate it further. I love the entrepreneur who is able to grasp an idea and run with it.

There has to be democratic decision-making, but at the end of the day, I want an Anton Rupert and a Harry Oppenheimer who will run with an idea and bring other people with them. Let us not get bogged down by tedious democratic decision-making, because it will destroy the very spirit of entrepreneurship that we try to engender.

DSA: Indian and other non-African retailers are keen to get established in black townships and feel entitled to do so after the abolition of the Group Areas Act. Some African entrepreneurs feel threatened about a possible "take-over."

Nkuhlu: This is likely to be a major issue in future. It needs to be handled with sensitivity. Experience in other African countries must be taken into account.

Motlana: Violence has kept Raymond Ackerman out of Soweto. When he wanted to come here we gave him a friendly warning. We told him unless it is possible for Maponya to open a shop in Eloff Street, we don't want to see him in Soweto, and if he comes, we would burn down his shop.

Now that these legal restrictions have been lifted, one can logically argue that white businesses should be able to establish in black areas. But there has got to be some form of affirmative action.

You cannot say the playing fields have been levelled. We still run around with shackles on our feet carrying heavy weights. The laws may have been removed but we need several years to catch up. There has to be some space created for us to develop.

If an insurance company wants to make a contribution, let them build a huge shopping centre and rent out small shops to black entrepreneurs. Allow us to buy these shops. If they do that, the security of that building is 100 percent assured. If, however, they want to build a Pick n' Pay here, it won't survive.

The same principle applies to the erection of such buildings. Who are the architects, who are the town planners, the builders, the electricians and the plumbers? The idea we want to sell is that in a local area you must use local skills and labour. We must create jobs—the plastering must be done by Dlamini, the roofs by Zulu and the floors by Moerane. This is the way we can create wealth.

DSA: Do you think universities and technikons play a sufficient role in preparing blacks for the needs of business?

Nkuhlu: No, certainly not. Present courses need to be supplemented with special courses and linked to on-the-job training.

DSA: Should entrepreneurship and basic principles of self-employment be targeted at school?

Nkuhlu: Yes, orientation towards self-reliance and entrepreneurship should be included in school curricula.

DSA: The fragmentation of black business associations is often seen as a critical obstacle on the part of faster black business advancement. Is this a reasonable view?

Nkuhlu: No, political organisations are also fragmented. This creates opportunities for innovation and creative thinking. Competition is good, also on this level.

Motlana: I think it is an understandable development in a country where blacks are in the majority. We don't feel threatened. Smaller communities such as Jews often tend to stick together. Personally, I don't like the fragmentation. I don't like the idea that Fabcos (the Foundation for African Business and Consumer Services) was created to oppose Nafcoc (the National African Federated Chamber of Commerce). We haven't got the necessary resources to split our energies into so many businesses.

Again we can look at the history of the Afrikaner. The Reddingsdaadbond and Rembrandt and Sanlam made

the Afrikaner what they are today. Now they are in the position to create little empires all over the place. We would also like to do that.

DSA: Should blacks work through black organisation to strengthen their position, or rather put their full thrust into nationwide non-racial bodies like the South African Chamber of Business (Sacob)?

Nkuhlu: This must evolve gradually. Blacks at this stage have reason to be distrustful of established, predominantly white organisations.

DSA: African medical doctors seem to play a rather low-key role in the entrepreneurial and business community. Is this true?

Motlana: When I joined the African National Congress (ANC) at the age of 18 years, we regarded black businessmen as sell-outs. Our reasoning was that if you are a successful businessman, how did you get the license? You had to become part of the system to obtain it and we despised them. And so the intelligentsia—the doctors and the lawyers—stayed out of it and kept their noses clean.

This is the origin of the problem. But as we grew up, we began to see business as the origin of jobs and wealth creation. I was in medical practice for three years when I formed my first company and I have been doing so ever since. I realise that political power without economic muscle is empty.

* Informal Sector

92AF0738F Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 pp 34, 37

[Article by Ciaran Ryan: "The Informal Sector: A Refuge and a Lifetime"; first paragraph DIE SUID-AFRIKAAN comment]

[Text] The informal sector is contributing at least R[ra:ids]16 billion to South African GDP. The figure may be as much as R34 billion. Yet the people who work this economic miracle still labour against restriction, prejudice and injustice.

Edward Masinga was a senior civil servant in the Mozambique Ministry of Transport in early 1980s. When the Frelimo [Mozambique Liberation Front] government took power in 1975, opportunities abounded for bright young people with proven competence, and Edward shot through the ranks of the civil service. But his career was brought to an abrupt end when, in an attempt to enjoin total obedience to the government, his seniors demanded that he sign up with the Frelimo Party. A devout Christian, Edward refused, and lost his job.

With no hope of re-employment, he trundled across the border to South Africa in search of work. His English was scant and the best he could do was to find employment as a driver in Johannesburg. Everything was fine until last

year, when the recession forced his employers to cut back on staff. Edward once again lost his job. For the second time in his life, he found himself a refugee, this time from the formal sector.

With just a few hundred rands, he bought his first consignment of fruit and vegetables and set up a make-shift stall beside a busy road in Alexandra township. He makes about R100 a week, R200 in a good week. All in all, he's a little worse off than he was as an employed driver. But at least he has an income.

Edward's story has a familiar ring to it. Like tens of thousands of other retrenched workers, he was forced to fend for himself in any way that he could. His son, who arrived in South Africa a few years after him, is a backyard mechanic. They pay no tax and observe none of the restrictive trading laws that require them to seek business licenses or observe municipal health safety rules. They do not even know these laws exist. Their only law is that of the marketplace.

They form part of the country's burgeoning informal economy—that part of the economy which is often illegal and certainly unrecorded. It includes some formal sector business, usually under-the-table cash transactions not recorded on company books, but most informal businesses are small, one-person operations such as subsistence farmers, hawkers, street vendors, taxi owners, craft and curio makers, prostitutes, beer owners, backyard operators and black marketeers.

A survey by Central Statistical Services (CSS) in 1989 concluded that the contribution of the informal sector to the country's GDP was R16 billion or 7 percent of the total GDP. The survey did not include the "independent" states or white residential areas so the total is likely to be significantly higher, probably closer to 15 percent of the GDP.

A substantial unrecorded sector suggests an economic growth rate far in excess of what the noted figures tell us and mitigates what is generally considered an appalling economic record on the part of the present government. This is a problem encountered by any statistician attempting to quantify activities in Africa. World Bank and International Monetary Fund (IMF) estimates of per capita GDP in Africa are conceded to be fanciful thumb sucks, reflecting only recorded statistics from the formal sector. In poor countries the informal sector can account for more than half of all economic activity.

Estimates further suggest that 44 percent of the country's total workforce of over 14.3 million is unemployed. However, up to 3.5 million of these "unemployed" are active in the informal sector, leaving 2.8 million or 14 percent annually without work.

It has been suggested that the Reserve Bank's efforts to combat inflation by means of monetary control have been undermined by the huge cash flows of the informal sector. Tighter credit should have put the squeeze on inflation, but didn't.

Prices were propped up by strong demand for goods and services. The answer, it seems, is that while the Reserve Bank may be able to douse formal sector demand for credit by way of high interest rates, this has only limited effect on the informal sector.

The CSS survey, although widely criticised, is one of the best estimates of informal sector activity to date. It indicated that transport (mainly taxis) was the largest informal sector activity, generating turnover of R214.5 million a month; spaza shops were next (R107 million); then shebeens (R65 million), bricklaying (R57 million), vegetables and backyard mechanics (R50 million each), hawking (R44 million), dressmaking (R42 million), selling clothing (R35 million). Sangomas generate around R26 million a month, according to the survey.

Growth in the informal sector is further amplified in research by BMI Industrial Consulting, which recently completed a major study of the field. The study indicated that the informal sector accounts for 40 percent of the total liquor trade in black areas, 15 percent of the food distribution to black houses, 10 percent of building material distribution in black areas and 50 percent of vehicle maintenance.

The informal sector remains a refuge and a lifeline for those excluded from the formal sector. Yet for many years the government refused to concede that the informal sector had any role to play in the economy, giving law enforcement agencies a free hand to crush it at source. Compliance with the law was considered more important than the attempts of the unemployed to feed their families.

Until recently, apartheid laws dictated that only blacks could own businesses in black areas, and whites in white areas. Yet most blacks worked and shopped in white areas. The townships were economic deserts, wholly incapable of sustaining anything but the most rudimentary commercial enterprise. It was on this infertile ground that blacks were expected to start their own businesses, pay taxes and comply with the panoply of laws interdicted for formal sector enterprises. A backyard mechanic attempting to repair a friend's car might be visited by the traffic police and harassed for not having a business license; if he had a business license, it might be withdrawn for non-compliance with health and safety by-laws. His tools and equipment might be confiscated or even destroyed. Food vendors, shebeen owners and hawkers faced precisely the same harassment.

Reluctantly, in 1986, after much lobbying by bodies such as the Small Business Development Corporation (SBDC) and organised vendors, the government started to relax laws which restricted informal activity. Yet local authorities continue to exercise tight control over the growth of this sector. Some local authorities have the power to declare certain areas "restricted," thereby preventing hawkers from selling their wares. In some cases, hawkers will be stopped on the basis of a complaint from an

unidentified member of the public, or for not having a business license, or for obstructing pavements or traffic.

Says Clive Mantle, a director of DMI Industrial Consulting: "Our research shows that local authorities were linking issuance of business licenses to compliance with local by-laws. If a food vendor did not meet local health and safety requirements, he could have his business license withdrawn, his equipment confiscated and be prosecuted."

Mantle recounts a case of a milk producer who sold in five different municipal areas. He was forced to comply with five different sets of rules until the government intervened and passed national legislation for the transport of milk. Recognising that the local authorities were attempting to frustrate informal sector activity, the government in March 1990 passed the New Business Act. This Act scraps the need for business licenses in all but three out of 80 business categories—health, entertainment and food preparation. It also scraps restrictions on trading hours between Monday and Saturday, cutting the feet from underneath the local authorities so that they no longer have the power to harass traders—although local by-laws will still apply.

According to the SBDC more deregulation is required to encourage the growth of the informal sector. Says SBDC MD Dr Ben Vosloo: "We don't see the informal sector as a static thing. We want to see these people move up into the formal sector."

Ian Hetherington of Job Creation, a management consultancy specialising in entrepreneurial development, estimates that there are about 700,000 black entrepreneurs in South Africa in both the formal and informal sectors. This compares to about 810,000 formal sector enterprises owned or controlled by all races.

"We consult companies who are retrenching workers to try and get them into the informal sector. We try to stimulate the entrepreneurial drive of the person, then get him to identify what skills he could use to make a living and then get him to identify niches in the market."

Hetherington says it is a myth that entrepreneurs require outside capital: "Ninety percent of my clients start with their own savings."

Where does the informal sector go from here? Coming from virtually nowhere 10 years ago, it now provides a livelihood to all sorts of people. Vosloo says these informal sector operators must be integrated into the formal sector, that "informality" is a temporary way-station to "formality." While a certain amount of deregulation has made the lives of informal sector operators a little easier, there are still a host of laws used by officialdom to cripple this important source of employment.

Keith Foster of the Urban Foundation says the government has a long way to go to get rid of oppressive economic legislation.

"The regulations that apply to a person running a restaurant apply equally to a street vendor preparing food. There is minimum wage legislation, industrial council regulations, levies, and a host of other nonsense which makes the cost of entry prohibitively high."

In the building industry, the 12 regionally based industrial councils represent a conspiracy between the employer elite and the employed elite to keep smaller businesses out of the club, says Foster. If an informal contractor, who by definition does not comply with industrial council legislation, tenders against formal sector contractors, the latter have been known to withdraw their tenders to sabotage the tender. Thus there are calls to waive these restrictive regulations for new businesses—or relax them for businesses under a certain size. Is it right that a food vendor should comply with the same laws as a restaurant? Many think not.

Slowly, but surely, as the reality of the country's economic plight manifests itself to the millions who have little hope of survival, the walls of the regulated economy are being torn down. Many of the SBDC-funded businesses have made the transition from the informal to formal sectors. But the vast majority will remain part of the country's economic twilight so long as unemployment and poverty are with us. And this, it seems, will be a very long time.

* National Policy Needed

92AF0738G Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 pp 38-39

[Article by Mike Mohohlo, Group Manager: Business and Entrepreneurial Development at The Development Bank of Southern Africa: "In Praise of 'Heroes of Tomorrow'"; first paragraph DIE SUID-AFRIKAAN comment; quotation marks as published]

[Text] There is wide agreement that advancement of the small business sector could be a strategy against the unemployment crisis. There is an urgent need for a national policy aimed at identifying and assisting emerging entrepreneurs.

There is no single and clear solution to the unemployment crisis, to the inability of the formal sector to absorb labour—although propositions abound. What many proposals have in common, however, is the idea that advancement of the small business sector is a promising strategy.

Small and emerging entrepreneurs throughout the world face complex and diverse problems, which include:

- Lack of access to finance and opportunities;
- socio-economic environments that are not conducive to small entrepreneurial development;
- lack of technical skills;
- inappropriate or outdated technology;
- lack of managerial skills;
- inappropriate physical structures from which to operate.

Here we focus on only two factors, namely, whether the main constraint is a lack of capital or a lack of black entrepreneurs.

In certain circles in South Africa, a strong belief exists that an inward stream of foreign and local capital will lead to development, economic growth, rising employment and in general, the solution to all our economic woes. The argument for this perspective is that the capital drain from South Africa over the past years has slowed down growth and that there has been a marked slow-down in fixed capital formation, which has contributed both to the declining growth rate and a dampening of the capacity for growth.

Accordingly, it is a sad fact that investment has declined, because of curbs by the public sector (for fiscal reasons or reasons of past excess capacity) and because of political uncertainty in the private sector. High interest rates, relative to future return expectations, have played their part as well.

From this line of thought, it can be argued that an increased inflow of capital will contribute to solving our problems in South Africa—assuming, of course, that these projects are in the development interest of the country. Edward Osborne, in the February 1992 issue of Nedbank's "Guide to the Economy," concludes that the only form of foreign capital that is of importance to the development process is direct investment in new ventures as well as reinvestments and extension of existing enterprises.

If the solution to our problem is seen to be vested in new ventures, then the question can be asked whether we have a sufficient number of entrepreneurs in South Africa to take up the challenge and if not, whether they can be developed. Leaving aside white entrepreneurs, who have been able to establish and run sustainable enterprises in the past, the focus now falls on the stock of able black entrepreneurs.

Of the constraints faced by emerging entrepreneurs, listed above, the most crucial one is that of access to finance and to opportunities. If it is accepted that a true entrepreneur has the innate ability to identify and capitalise on opportunities, it leaves the question of finance still hanging.

Access to finance has really two components, that is, working capital and equipment, and share capital. In the South African context, various institutions and organisations are involved in providing the working capital and equipment needs of emerging entrepreneurs. These institutions are predominantly funded from local sources of capital and I believe that sufficient funds are available so that this trend will not drastically change.

Certain institutions have recently raised foreign loans (for example the Development Bank of Southern Africa

in the German capital market) to supplement their local borrowings. From this I am convinced that sufficient funds are, and will be, available to meet the working capital and equipment requirements of emerging entrepreneurs.

The outstanding component of access to finance—share capital—is the crux of the problem. It is a common cause that one can grow a business only up to a point with loan finance. Unfortunately the provision of share capital for emerging black entrepreneurs is still totally inadequate. Looking at the vast resources that institutional investors have in their kitty, it could be that it is not inflow of foreign capital that is required, but merely a change in attitude to meet the requirements of the emerging entrepreneurs.

Without belittling the contribution of foreign capital to the macro-economic picture, I strongly believe that with a change in attitude and a concerted effort to make it work, we have sufficient capital available in South Africa to go a long way in assisting emerging entrepreneurs.

The million-dollar question remaining is whether we have enough able entrepreneurs to meet the challenge. Lengthy debates in the past have turned on whether an entrepreneur is born or can be developed. If birth is the only source and we do not have sufficient numbers in South Africa, then we have a problem. If they can be developed, however, then we have a chance of meeting the challenge.

Various studies indicate that the latter is the more widely supported view, in which case we in South Africa will have to develop and fine tune our ability to identify the potential entrepreneurs amongst us and to assist them to play their rightful role in the national economy. Various programmes to achieve exactly this objective already exist. However, these are mostly unco-ordinated and applied on an ad hoc basis, often dependent on the parochial aims and objectives of the organisations involved.

What is needed is a concerted effort, with much more emphasis also from government circles, in identifying, assisting and enabling these 'heroes of tomorrow' to enter the mainstream economy. Gender and development awareness, and the understanding of and respect for the role that women can play in increasing the 'stock' of entrepreneurs, is a crucial feature of the search for solutions.

We will have to improve people's perception of the emerging entrepreneur from one of "an unemployed person trying to make a living" to that of "the heroes of tomorrow," in order to inculcate appropriate education and training programmes at all educational levels.

In conclusion, the solution to our problem is not an "either/or." It is an intelligent combination of both inflow of capital and the identification and development of latent emerging entrepreneurs. As a matter of urgency, we need a concerted national effort to make small

entrepreneurial development work and to create a spirit of optimism that this will make a significant contribution to solving our socio-economic and, indeed, political problems in South Africa. We need a national business and entrepreneurial development policy.

* Satellite Model

92AF0738H Cape Town *DIE SUID-AFRIKAAN*
in English Apr/May 92 pp 42-43, 45

[Article by Theo Rudman, executive director of the Self Employment Institute and author of "The Third World: South Africa's Hidden Wealth"; first paragraph *DIE SUID-AFRIKAAN* comment]

[Text] The path to job creation and economic growth in South Africa involves major co-operation between the formal and informal sectors. The model is the centre-satellite system, tried and tested in Italy, Korea, Japan....

To create peace and stability in South Africa will require more than a vote for all adults. The most important thing is for everyone to have an economic stake in the country. Since the 1980s the formal economy has been unable to generate the jobs needed to absorb the annual increase in the labour force—let alone eradicate the high rate of unemployment—so we have to look seriously at the informal sector and its link with the formal economy.

South Africa's informal sector is vibrant, highly productive and an efficient user of capital in creating jobs. What is more, all formal businesses—big and small—can play a role in the informal or small enterprise's strategies to create jobs. Informal wholesalers, hawkers and spaza shops can sell and distribute their goods in the townships, while informal manufacturers can provide even the most sophisticated businesses with products and services.

Small business—whether formal or informal—plays an important role in the economy of all countries, even the most developed ones. Some 90 percent of all businesses in Europe employ less than 20 people. In the United States 66 percent of businesses employ fewer than nine people. This sector provides half the country's existing jobs and produces some 43 percent of its GNP. In Japan the figures are even higher, with small businesses employing 80 percent of the total workforce. Empirically the position is not really different in South Africa. Thus about 85 percent of the members of the Cape Town Chamber of Commerce employ less than 10 people.

Notwithstanding this quantitative dominance of the small business sector, research has shown that small business suffers from severe inadequacies, including a lack of business skills (particularly management expertise), shortage of capital and the effects of many regulations that still discriminate against businesses with limited capital and staff.

It is often said that shortage of capital is one of the more serious problems facing small businesses today, as many

entrepreneurs do not have sufficient collateral to borrow the money they need. After all, black entrepreneurs have been prevented, until recently, from accumulating one of the most acceptable forms of collateral, namely land.

However, experience shows that another factor underlying this difficulty is the inability of some entrepreneurs to present their cases properly to bank managers. Often their business plans are full of inaccuracies, and cash flow plans—if they exist at all—are incomplete and unrealistic. Appropriate training is a critical factor in the success of small enterprises. Yet, even that is not sufficient.

Every year thousands of South African women are taught to sew. In some cases they are assisted in buying hand-driven sewing machines. But they are not taught any business skills, not even how to cost the dresses they may make. These women have to travel into town to buy material, then return home to cut and sew, and finally they must sell their finished garments themselves. On this basis they cannot make and sell enough dresses a week to grow prosperous. Irrespective of training, such a system can support only survival. The solution for the very small manufacturer lies in working with the formal sector, which has design and development skills, marketing expertise and better access to markets.

In fact the only way for the economy to create sufficient jobs is by integrating the formal and informal economies. This would see formal business using informal businesses to supply products and services for their factories, and using informal distributors to sell their products, on a big scale.

Promising experiments in this kind of relationship are being attempted to Anglo American, but integration on a much larger scale must proceed as a matter of urgency. The longer we wait the harder it will be to get our economy growing again.

There are many opportunities for joint ventures between black and white, which would enable blacks to have access to capital, management expertise and training in basic business skills. The success of such a co-operative strategy can be seen in countries such as Korea and Taiwan, with consistently high growth rates, low unemployment and other characteristics of healthy economies.

These successes have been achieved largely through a culture in which large organisations accept that small, relatively unsophisticated businesses can become important sub-contractors, supplying products for resale or own consumption.

Underlying this co-operation in the manufacturing sector is the centre-satellite factory system, where the centre factory does the design and development, farms out the manufacture of specific sub-components to small, often informal manufacturers, frequently providing them with the correct material at the best price from which the components must be made. The trick is

to let each informal sub-contractor make only one part of the total component that is being contracted out.

The centre factory only manufactures what it has to. Products are assembled by the centre company where strict quality control is provided. Marketing and distribution is also undertaken by the centre.

This method reduces the capital and management resources required by the centre company and creates more jobs, since the centre company would of necessity have been more mechanised and computerised.

Ideally this type of specialisation and greater use of labour will dampen production cost. In this case it could become possible to manufacture products in this country which would not have been feasible previously because of high costs and a small local market.

In the light of increasing competition, many large organisations are starting to look for tasks they can sub-contract to small businesses with beneficial results to themselves. Successful sub-contracting could free capital, reduce working costs, improve cash flow and reduce administration. In many cases the sub-contractor may be able to supply the part or service at a lower price than the centre company itself.

The centre-satellite factory system also addresses limitations on education and the ability to raise only small amounts of capital by many potential sub-contractors. If individual operations are made small enough, even the smallest and least educated supplier may be able to manage.

In Italy, highly regarded for its shoe and leather goods industry, many expensive, highly prized designer items are made in simple village homes that are much more sophisticated than those found in many local townships. Another graphic example is a manufacturer of steak and kitchen knives in Japan, which, in addition to the local market, exported 32 million knives a year to the United States and a smaller quantity to Europe.

The company, with an annual turnover in excess of \$100 million, has a fairly large marketing and administrative office and owns a modern packing and warehouse operation, where the knives are packed into presentation boxes and cartons for storage and shipping. There is, however, no manufacturing unit to speak of.

All the high quality products are made in the informal sector, with hundreds of backyard businesses each undertaking one specific manufacturing operation. These hundreds, perhaps thousands of sub-contractors are not necessarily situated close to each other. The components are rushed from one backyard operation to another by independent cartage contractors. Each owns their own vehicles, which are not big Mercedes trucks as would be the case in South Africa, but rather a vast fleet of Honda motor cycles and small three-wheeled vehicles that have boxes on the back. These motor cycles can zoom efficiently through the heavy traffic.

An example of this approach closer to home is the woman who became a qualified cutter and designer and an experienced supervisor in the clothing industry. After a number of years she left and set up a dress manufacturing business in her home. Part of her garage functions as her workshop, which is taken up, mainly, by a large cutting table. She owns the table, an industrial cutting knife, three domestic steam irons, and an ironing board and clothing rails in one of her bedrooms which is fitted out as a show and store room. Her total capital investment is less than R[ands]5,000.

She does the designing and cutting herself and she, her husband and son use the family car to deliver the components to dozens of seamstresses, most of whom lost their jobs in the clothing industry. The seamstresses sew the pieces together for a prearranged fee and when the garments are ready they are collected in the same way as the parts were delivered. Finally three workers at the woman's house sew on buttons and iron the garments.

In this way, with a small investment of about R5,000 and the use of several homes, this manufacturer is able to produce between 1,500 and 1,700 dresses a month. She does not sell her production to the trade, but rather to agents who come to her house and buy in wholesale quantities and, in turn, sell them in smaller quantities to hawkers.

Even though this sub-contractor marks up between 80 and 100 percent, her products reach the consumer for between R90 and R120 compared to similar garments sold in the department stores for R250 to R400 each. In the end she is able to make a monthly profit in excess of R35,000.

This method, if organised efficiently, enables the "centre factory" to be more profitable and at the same time more competitive. On balance, the self-employed sub-contractors are better off too.

Opportunities also exist in this centre-satellite system for retailers who sell to hawkers and informal traders. The growth and size of a hawking business is restricted, after all, by what the hawker can carry and transport in one day and not necessarily by what can be sold.

Parts of Johannesburg are an example of the co-operation and interface possible between Third and First World sectors. In some areas up to 70 percent of the independent formal retailers have set up wholesale facilities for street traders. Hawkers purchase their supplies for the day, either for cash or agreed terms. As these shops are close to their sites the traders can easily return to the supplier for more stock. At the end of the day unsold merchandise is returned and credited towards the next day's purchases.

Thus, small business need not be seen as unfair competition but rather as a means of freeing less productive capital and other resources. In essence we have to accept that all businesses - from the smallest informal one to the

largest big business, have a natural place in the economic structure and can benefit by trading with each other.

Similarly, the drift to the cities is providing businesses with a wider selection of keen, though often untrained, labour. Training, in both work skills and basic business skills becomes vital for the success of interaction between formal and informal sectors. In this chain of dependencies big business will need to provide training in basic business skills to their emerging sub-contractors, distributors or retailers. They can do this either by providing the training themselves or by sub-contracting it to specialist organisations such as the Self-Employment Institute.

* Links, Joint Ventures

92AF07381 Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 p 46

[Article by Ruth Tearle: "New Thinking Is Linking"; Ruth Tearle runs a management consultancy company called Change Designs; first paragraph is DIE SUID-AFRIKAAN comment]

[Text] Co-operation is proving profitable to both the formal and the informal sectors. Various links and joint ventures have a number of spin-off benefits, including bigger markets, lower costs and an expanded pool of skills.

More and more South African corporations operating in the formal sector are using the informal sector to provide them with quality products and services at lower prices. Stationery, printing, manufacturing of roller doors, safety clothing, uniforms, rubber mudguards, reconditioned fridges, office furniture, building materials, reconditioned engines, plants, cleaning materials, bicycles, curtains, linen, computer paper, mining equipment and flowers are a few examples of products and services now being supplied by informal sector businesses.

A number of support agencies are helping to link formal and informal sector organisations together. The Small Business Development Corporation (SBDC) holds an annual Matchmakers Fair. There, large corporations are encouraged to specify the activities they could sub-contract out to small businesses and explain their requirements to potential suppliers in the informal sector.

Informal sector service organisations such as Get Ahead, and the Urban Foundation's PRISCO (Private Sector Counselling Organisation) use counsellors to serve as mentors to informal sector businesses. Counsellors link informal sector businesses to the buying departments of large corporations.

Together with major retailers from the formal sector, Fabcos [Foundation for African Business and Consumer Services], an umbrella body operating in the informal sector, has instituted a Bonus Card Plan. Its members buy coupons at a discounted rate which can be used to

buy goods from the retailers contracted to Bonus Card Retailers. These include OK Bazaars, Tren Tyres, Solly Kramers and Arthur Kaplan Jewellers.

Companies involved in joint ventures with informal sector associations have succeeded in developing new markets for their products and services, and in developing new business ventures and new products. Such joint ventures are occurring in almost every sector of the economy. The following are some examples.

Retailing: There are estimated to be 85,000 hawkers in South Africa. The African Council of Hawkers and Informal Businesses (ACHIB), an affiliate of Fabcos, assists hawkers and spaza shop owners with supplies, training and finance. It has signed agreements with companies such as Marina Salt, Superwax, Tongaat Foods and Barlow Rand's electrical appliances division for the supply of goods to its five storage houses for distribution into the informal sector.

Transport: South African Black Taxi Association (Sabta) spokesperson Fanyana Shiburi estimates that there are 400,000 black taxis, 200,000 of which are legally operated. Sabta, also an affiliate of Fabcos, has a paid-up membership of 68,000. In Johannesburg alone, Sabta has 4,000 members. This constitutes a large market for petrol, music tapes, motor accessories and related products. To service the taxi industry, Fabcos, First National Bank and International Resource Technology (a smart card and equipment supplier) and EG Chapman Group have formed a company called Payment Solutions (Pty) Ltd. They will market a pre-paid value card system.

The commuter will buy the Fabcos smart card from a local Fabcos office and then load the card with cash at the Payment Solutions offices and selected institutions. The amount of money loaded is stored in the card's memory. The taxi fare is then deducted from the smart card. The system also helps to monitor the profitability of the taxis, and the vehicle speed, acceleration and braking times of the driver. Later on the system will incorporate payment for electricity, telephones, purchases at selected retail stores and gate entry fees during sports meetings.

Beauty products: Revlon, a cosmetic manufacturer, and Afro-Hairdressing and Beauty Association of South Africa (Afbasa, an affiliate of Fabcos) have recently signed an agreement. Revlon will provide R[ands]600,000 over two years, to design and implement a programme for a home hairdressing unit for back yard salons.

Transport: Finansbank and the SA Hauliers' Association (an affiliate of Fabcos) have negotiated a joint venture. Finansbank will provide finance to hauliers to buy trucks while the SA Hauliers' Association will negotiate contracts with large companies on behalf of its members, and provide skills and business training.

Catering: Catering group Fedics and Fabcos have formed a company called Fabfoods in which Fabcos has a 60

percent and Fedics a 40 percent shareholding. Fabfood's aim is to develop the black catering industry by identifying entrepreneurs and informal sector operations that could benefit from training and development. Fabfoods will initially establish fast food outlets at the service stations managed by members of Fabcos.

In addition to these direct relationship programmes, a number of organisations assist informal sector businesses to obtain finance, technical skills, customers and suppliers. Such organisations should also assist formal sector organisations who want to obtain the benefits of strategic alliances with the informal sector. The Urban Foundation's PRISCO service has been mentioned. Two other examples are:

- Business Challenge provides loans to small businesses. Its members pay a subscription of R75 and then a minimum of R50 per month into a type of stokvel. The funds cannot be accepted for 3 years. From this Business Challenge grants loans ranging from R2,000 to R5,000.
- The Small Business Development Corporation provides finance, affordable business premises, training and support services. Since its creation in 1981, it has granted loans worth over R1 billion to over 31,000 entrepreneurs.

* Shopping Centers

92AF0738J Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 p 47

[Article by Macdonald Temane, Managing Director of the Soweto Investment Trust Company: "Mixed Feelings on Shopping Centers"; first paragraph is DIE SUID-AFRIKAAN comment]

[Text] Several factors argue against investing in a shopping complex in one of South Africa's black townships, not least that disposable income in these areas is very low. But it may be folly to jump to a conclusion.

Can South Africa's black dormitory cities ever sustain regional shopping centres? Could Soweto, for example, with its 2 million people and some 15,000 spaza shops? The answer is a qualified yes and no.

Undoubtedly, there are enough people per square kilometer in terms of proximity to such a regional shopping centre. However, the per capita disposable income is extremely low.

Regional shopping centres inside black townships directly compete with attractive centres in the wider proximity of these areas. One should remember that travelling to those other centres is part of the week-end entertainment of township residents, given the limited entertainment and sports facilities in most black townships in South Africa.

Many townships were depopulated of income earners in groups A and B, following the abolition of the Group

Areas Act. This does not affect spaza shops since higher-income earners do not buy there anyway. It does, however, affect the potential purchasing power channeled to regional shopping centres inside the township.

Currently, townships are the result of poor planning and equally poor infrastructure. Business premises are scattered in an unplanned fashion. Thus, usually, regional shopping centres will not be located in good spots.

The consumption and purchasing patterns of township residents adds up to another obstacle to the economics of large shopping centres. Most residents buy small quantities on a frequent basis, with purchasing periods concentrated in the early morning and late afternoon. Shopping during the day is quite sparse. Notwithstanding all these adverse factors, there can be little doubt that quantities consumed in the major townships are very high indeed.

South Africa's recent political history has created a climate where public opinion for or against a shopping centre can easily be influenced by pressure groups. In particular the participation of anchor tenants—the major national consumer chains—is still a thorny issue, with spaza shop operators regarding large shopping centres as a threat to their livelihood. This is essentially the same type of opposition that could be found among white and coloured entrepreneurs during the early 1970s when hypermarkets were introduced in the urban areas.

We all know that the added benefit of a regional centre in an area is the general stimulation of local shopping. Areas such as Sandton and Rosebank are living proof of this phenomenon.

Yet, spaza shop operators are very aware that such supplementary purchasing of supermarket clients hardly extends to the lower income range of basic consumer goods. Thus, what undoubtedly is an advantage to an upmarket clothing boutique in the Sandton area, does not count for a poorly organised and highly priced spaza operator close to a new Pick & Pay Hypermarket in the townships. Thus, the opposition from retailers in the townships is normally based on the reasoning that the anchor tenant and they themselves carry similar merchandise.

This later view may be shortsighted, yet one should bear in mind that about 80 percent of the disposable earnings of township dwellers is still spent outside township borders. Money is in fact spent where it is earned and new regional shopping centres would compete for the 20 percent of the disposable earnings that actually reach the townships. Established retailers in the townships may actually have a point.

Only if the overall pattern of job creation, income generation and consumer spending changes and a greater balance is achieved between black and mixed areas can one expect a change in attitude from the township operators.

The situation is not static, however. The population in the township increases rapidly and so does the disposable income of blacks in South Africa. The increasing effectiveness of collective bargaining further increases disposable income among township residents.

International aid is also largely targeted on the township. All developmental agencies focus on township areas with the intention of raising the standard of living and improving the quality of life in the townships. With political changes moving at a rapid pace, effective influence on the spending of pension fund savings will also soon start to have an effect on the investment pattern of institutional investors.

While these factors of change are in process, township communities may also be changing their attitudes. Visible signs of successful partnerships, between white and black enterprises, the spreading of franchises and successful clustering of black-owned enterprises around some of the regional shopping centres may lead to such a change in attitudes. Thus it may be too early to reach a final conclusion on the future of regional shopping centres inside the black residential areas.

* Franchise Operations

92AF0738K Cape Town *DIE SUID-AFRIKAAN*
in English Apr/May 92 p 49

[Article by Wolfgang Thomas; first paragraph is *DIE SUID-AFRIKAAN* comment]

[Text] Franchise operations could be an important option for increasing numbers of black entrepreneurs. The mistrust that often exists between franchiser and franchisee need be no obstacle—it is a natural part of business.

In the search for strategies and practical steps to transfer business experience and know-how from established to start-up entrepreneurs the franchise option has evolved as one of the most important investments. The popularity of this option is also related to the worldwide appeal of branded products and services—Kentucky Fried Chicken, Avis Rent-a-car, Cardis cards, Easigas LPG distribution and Nannucci drycleaning outlets.

Consumers like to stick to a tested product and expect consistency in the shape and quality of the product, the wrapping and the aftersale service. Black consumers are no different in their regard for branded products, particularly since until recently products offered exclusively to blacks were of inferior quality.

Franchising is brand marketing par excellence. The franchiser or owner of the product or service makes available to the franchisee all the details about production, sales marketing, advertising and so on. Even with little or no product-specific experience the franchisee should be able to start the franchise business within a short time.

In the United States retailing and services are loaded with franchises, ranging over virtually all types of products. Black Americans have used this vehicle of entry into business very extensively and there are many indications that franchising could be of critical importance for black entrepreneurs in South Africa. Why?

- Start-up entrepreneurs select a well-proven product or service;
- they can save a vast amount of money on development expenses;
- an established marketing network and technique are usually made available;
- the demand for and risk of one's own capital is usually lower;
- training of a specific nature is normally supplied up front and subsequently at intervals.

Yet, franchise agreements and franchiser-franchisee relations are not all roses. On the side of the new entrepreneur, the concerns relate to the following:

- The up-front franchise fee, which can often be a sizeable amount, may be difficult to mobilise or may drain the capital resources of the starter;
- in addition to the initial charges, most franchises levy a monthly commission, usually a percentage of turnover, which can be a heavy burden on cash flow and often seems unjust to the new entrepreneur;
- franchises (for example in the restaurant business) sometimes demand unduly elaborate or expensive furniture and equipment, which often is available only from the franchiser; this can initially lock a newcomer into a particular business;
- the fine print of franchise agreements is usually difficult to read and understand, with many clauses restricting the operational freedom of franchisees;
- franchisees often complain about poor after-care and little detailed attention to their needs, especially in the case of national or out-of-town franchisers;
- franchised products and services are standardised and cannot be adapted to local consumer needs.

All of these factors easily lead to a feeling of suspicion vis-a-vis the franchiser, who is felt to be out to exploit the franchisee.

On the other side, the franchise holders also have problems and frustrations:

- They may have difficulty obtaining the up-front payment, especially from entrepreneurs who have no ready access to capital and/or have no collateral;
- they may feel that the entrepreneur does not disclose the full turnover, thereby reducing the monthly fee;
- the particular outlet may not maintain established standards, thus endangering the image of the franchise;
- the client may collude with other firms and convey trade secrets.

Once again, these are just a few of the reasons why franchisers often hesitate to enter into such agreements.

This applies in particular to negotiation with operators not adequately known to the franchiser or with businesses established in black townships.

The paradox emanating from the above should be clear. Franchises, in their very nature, could be ideal investments for increasing numbers of black entrepreneurs. The transfer of knowledge and experience is intensive and ongoing, business risks are drastically reduced due to the close interaction between franchiser and franchisee, and markets are usually almost guaranteed.

Notwithstanding these positive factors, both sides are almost chronically mistrustful of each other. Closer analysis suggests that this should be accepted as natural and almost inevitable. Since the net profit from the joint action is shared by both sides—two autonomous business entities—some conflict about the distribution of the profit is logical.

In fact, this dilemma of the franchising relationship symbolises the challenge and risk of business enterprises which are so essential for the rapid integration and upliftment of the black entrepreneur in the South African business scene. There is always the danger of unequal power relationships. The one side may outwit the other but the same applies to the political and social scene. Suspicion has to be accepted as much as the fear of being "taken for a ride" by the other side.

To protect either or both sides, general steps are possible:

- The South African Franchise Association maintains a code of conduct for its members;
- small business information and advice agencies make available information on the merits and pitfalls of franchise operations;
- organisations like the Small Business Development Corporation (SBDC) may provide the start-up capital and give other support;
- successful franchises enjoy high media attention; this is useful, but should also include more critical stances;
- it may be sensible to appoint a franchise ombudsman with the government's small enterprise monitoring agencies.

* Small Business Initiative

92AF0738L Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 p 50

[Article by Jenny Cargill, Specialist Editor at FINANCE WEEK: "Somewhat of a Place in the Sun"; first paragraph is DIE SUID-AFRIKAAN comment; words in boldface as published]

[Text] Turnover of Anglo American sub-contracts to some 130 small businesses was R[ands]34 million in 1989. Impetus came from the Small Business Initiative, a joint project with De Beers. The alternate Anglo American director responsible for the small business programme, Phillip Baum, spoke to DIE SUID-AFRIKAAN:

Baum: One of the things we decided was that the Small Business Initiative had to be a profit-oriented activity and not an affirmative action programme. However, it is only fair to say that if Anglo was only interested in making money, the resources and people we have committed in the small business area would be involved in other of our activities.

It is very important that small businesses must not be stumps for black aspirations. They have got to be stepping stones. They must become medium-sized.

The initiative is not affirmative action in the sense that we will not give small business a premium price because it happens to be small or black, but it is about black economic empowerment because we are dealing with black business and the effective redistribution of wealth. It is about support structures and making profits for your shareholders in such a way that you make a contribution to the community.

How do you provide support while making profits?

The first area we addressed was our purchasing activities. To enable small business to deal with us, we tried to better accommodate their requirements. We simplified our contractual document, we looked at the problems small businesses have with storage of goods produced and we have helped with transport.

In conjunction with the Small Business Development Corporation, we have helped small businesses to cost up their products for tender to Anglo.

We go through three phases: those for whom we do the work entirely; those who have their own costing system, but need to be finely tuned; and those who, having done business with us a couple of times, end up doing business with others quite independently of our team. Another thing we do is help buy under the Anglo name.

Very importantly to cash flow terms for small businesses, we pay people promptly. Of course, that has a working capital implication for us. So the price must be sufficiently competitive to acknowledge that.

All these purchasing contracts are judged according to the quality of goods and the capacity of the business to produce the quantity and quality over the period of the contract. That is a subjective evaluation, and we have people inspecting the business and the products. If they get past that examination, they are free to put a tender.

After the first year of involvement in small business promotion, we found that there were any number of entrepreneurs in the field, blacks in particular. Also, there is money available and lots of people have an interest in it other than for business reasons. Indeed, the black contractor programme enjoys executive support at the highest level.

Yet, expertise in particular fields has been a critical factor since the start. We thus decided to investigate

some of these black businesses. If we are really committed to this policy, let's put our money on the line in the form of a minority interest, with the business run by the black entrepreneur.

Under the earlier labour-intensive initiative, Anglo had provided 100 percent of the capital up front. But since we had been taken to task in an industrial relations sense for paying wages that were less than those in our formal business, it was decided to take only a minority stake. Anglo provided an administrative and managerial input and got the benefits of the entrepreneur's verve, flair and ideas.

So far there are already several companies involved. We have started up a cleaning company, Masekhane Cleaners. After having cleaned places up, we thought let's get into the catering business. But we couldn't find a small business to start with. We thus decided to link-up with established expertise in a joint venture arrangement, establishing Reef Food Services, with a black shareholding of 55 percent. Supervision Foods, a subsidiary of Tongaat-Hulett's, came in with a 35 percent equity, and a management contract that requires them to hand over the company within a period. The objective is that they and ourselves should end up as minority passive investors.

Why equity and not loan capital?

We have invested R90,000 loan capital for stock purchases of a spaza shop owned by a Mamelodi businessman, who took over the Premier Mine hostel supermarket. An equity interest would only be supplied if we have to provide managerial and administrative back-up. If people want to buy us out later, they are welcome, even though we would try to keep a minority investment in successful businesses. There are some companies where we will deliberately try to get involved, but in the longer term we don't want to remain involved for long. Yet the manufacturing businesses are close to our heart.

What success have you had?

Out of 130 companies only about half a dozen have been failures. This has caused me to say that maybe we are not trying hard enough, maybe we're too conservative. Maybe it was important in the beginning to have successful role models. But now that the small business initiative has somewhat of a place in the sun in Anglo, maybe we should take more chances, challenge ourselves more.

*** 'Corporate Culpability'**

92AF0738M Cape Town *DIE SUID-AFRIKAAN*
in English Apr/May 92 p 51

[Article by Morakile Shuenyane, Manager of Corporate and Strategic Affairs at Engen: "A Critical View of Corporate Culpability"; first paragraph *DIE SUID-AFRIKAAN* comment]

[Text] Boardroom attitudes to affirmative action are often patronising and out of touch. In particular, they are ignorant of African values that put people before profits, and the common good first.

Until 2 February 1990, the South African corporate world was perceived to be light years ahead of the government's ossewa pace and its out-of-sync posture in relation to the dynamics and demands of the day. Today the business world finds itself wobbling far behind government strides, and without the excuses of yesterday.

The reason is simple. There is an obvious absence of blacks in key corporate positions. The front door may be open, mainly because companies' mission statements and chief executive officers say so. But inner doors are firmly locked, and middle management keeps the keys. The access phrase is "white and male," not necessarily in that order. Blacks and women are still spectators.

Boardrooms of the corporate world are full of so-called affirmative action experts. All they have to say is a combination of the following phrases: "We would love to include them, but there's a risk of dropping standards"; "they are not yet ready, experience takes time"; "Bantu Education has crippled their thinking capabilities"; "they have unrealistically high expectations"; "their culture has not prepared them for the cut-throat challenges of business"; "we should make sure they fit in otherwise there will be more damage caused"; and so on.

If sound business is customer-driven, and black people continue to be a force in that area, a question automatically follows: who should fit in where?

Ask a wrong question and end up with a wrong answer. What is needed is the adaptation of some current cultural values which drive the wheels of industry to some of the ubuntu-botho qualities which can lubricate the effectiveness of business as a whole.

A major problem with South Africans is our strange cultural habit of wasting energy highlighting areas where we differ or that are problematic, instead of solving problems and building on commonalities. When we look at Japan, for example, we tend to ignore all the lessons of their ubuntu-botho manner of doing business and make a mountain out of their monolithic culture, in the process giving reasons why we should not learn from their experience.

There's a tendency to equate Japanese small business with our small business. The irony is that the Japanese classify their small businesses in terms of number of employees, not turnover.

That angle automatically triggers a people-oriented approach to business, and it becomes the employees' responsibility to ensure the growth of their companies to make more room for other work seekers. In the African culture that is called the ubuntu-botho approach.

Affirmative action in sub-contracting should be seen in this light. It is not about dropping standards or accepting inferior work. It is about giving people who have been kept out by laws and prejudice a chance to play a role in the development of the economy and to address the unemployment crisis.

There is nothing wrong with holding the hand of a person who can't walk alone, but there is a lot wrong in hanging on to that hand when its owner is ready to run. It takes a non-paternalistic instinct to know when to let go. The creation of an environment healthy for growth requires strong partners to acknowledge that there are things they can learn from financially weaker partners. This is the natural humility that is embedded in the ubuntu-botho philosophy.

It has uncomfortable implications for relations between small black businesses and big white business. One is tempted to jump to the conclusion that business ethics inspired by Western culture regard humility as a weakness, while the values influenced by ubuntu-botho regard it as an essential element in doing business.

While value is the bottom line in the average corporate culture, the ubuntu-botho approach will emphasise relations. Once those are in place, attention will shift to the bottom line. It is a pity that many black businesses experience financial problems during the initial stage while the focus is on building relations, sometimes at the expense of the bottom line.

This gives critics of the ubuntu-botho manner of doing business sufficient reason for shooting down business practices which have diverted from Western norms.

In Japan one hears many stories about worker unions who pushed for a cut in wages because their companies were running at a loss, and those who opted to go without pay until their companies were out of the red.

That is also an ubuntu-botho approach. The fact that it is not practised in South Africa does not make it foreign to local blacks. The problem here is that we have shed many of our ubuntu-botho qualities in order to fit in with the Western behavioural mode of doing business.

It is for those reasons that the success of affirmative action should not be viewed in isolation.

* Business Training

92AF0738N Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 pp 52, 55

[Article by Gareth Rossiter, Head of Training for the Small Business Development Corporation Western Cape: "Quick Fixes Don't Teach Skills"; first paragraph is DIE SUID-AFRIKAAN comment]

[Text] Training in business is still dominated by discredited notions. It is still the domain of "experts." What is needed is simpler and participatory: an ongoing process of hands-on training driven by those who do the job.

The notion of "training" itself is problematic. Most modern training theory and methodology applied in South Africa has its roots in Taylorism. The "expert" analyses the problems, develops systems to solve them and trains workers to perform tasks efficiently. "Training" in that sense does not embrace notions of a process of learning negotiated between the learners and a facilitator. The "expert" determines the curriculum and the methodology; the trainee is a passive receptor of the product.

It is my contention that these discredited notions still dominate the discourse of training in business. Yet, modern organisational theory calls for the development of "the learning organisation" and embraces the notion of continuous improvement driven by those who do the job. This seems a far more feasible theory of adult learning for business organisations.

The dominant approach to training—including the training of black business people—is supported by prevailing attitudes in business looking for short-term returns. The result is the "quick fix" approach, which remains largely unchallenged. Training companies and departments spend their time developing slick and gimmicky programmes that might leave trainees with a nice warm feeling for a while, but do little to develop the skills required for continuous learning or creating the self-confidence which enterprises need so desperately. Much time and money is wasted in this process.

Business training programmes are usually developed on a "need to know" basis. In a world where information is currency, to provide people with scant information perpetuates inequality.

If we are serious about developing appropriate skills for business people in the black community, the curriculum will need to embrace the notion of continuous learning and the methodology will need to become a learner-centres approach. The training will have to be directed at a variety of levels and be planned to ensure progress from one milestone to the next.

The cultural agenda of South African business is at this point dominated by white males. The assimilationist approach, which seems to dominate, is cultural imperialism. It is accepted that the lingua franca is English. However, if we are to tap into the creative energies of people, they must feel able to bring to the business world their cultural identity and agenda.

Those responsible for developing business skills in South Africa must encourage a cultural blend. They must understand the organisational forms that prevail in various cultures and must have an ability to tap into the creativity that is dormant.

In essence, the process of training business people from the black community is no different from training people of any other community. Why should it be? However, there will need to be areas of affirmative action to

address past legislated inequalities that have resulted in a lack of access to resources and education.

A focus on development and numeracy skills will be the key to learning. Supportive tuition will need to be offered in these areas. There will need to be a variety of programmes to meet the variety of needs and educational levels of learners.

The training of business people in the black community is still in its infancy. There appear to be some interesting programmes, but few learning resources and no developed curriculum and overarching strategy.

Progress towards a comprehensive strategy and programme for the ongoing development of business skills in the black community is needed. It seems the appropriate time for all the players—including business associations and training institutions—to develop that plan together.

Objectives of training should include the following:

- Learning must be continuous and learner-centred, and must develop the learners' capacity for creative problem-solving.
- The focus of the learning must be the development of skills for action in business.
- The learning must provide access to information and the tools to understand, and analyze and use information.
- Learning must equip black business people to compete in markets outside their areas in the cities, in Africa and globally.
- Learning must encompass the complexity of business operations from record keeping and costing, to marketing, operations and human resource management.
- Learners must be equipped with relevant communication and technical skills.
- Learning must focus on the development of skills needed to grow businesses.

Obviously there is a need for some input from the "experts." It is important, however, that there is a shift of control to the learner—the customer.

A constant evaluation of the learning product and process should ensure that the learning material is being improved continuously.

The variety of appropriate delivery methods available have not been fully explored, but should include the following:

- Academic support programmes in the form of tutorial type programmes, particularly around language and numeracy skills;
- On-the-job learning through the guidance of skilled mentors;
- Business management apprenticeship;
- Ongoing classroom-based "action learning";
- Specific courses at universities and colleges.

Who should be the teachers? Those who see themselves as "experts" should probably be excluded—or undergo a thorough programme of reorientation. A most important process will be the skilling of facilitators who are not inclined to impose their experience on a different reality. They should be able to develop and adapt learning "products" to meet specific needs.

If we are serious about the development of the skills of black business people, co-ordination of the efforts of all "players" in the training area is a priority. So far we have barely started the process of concerted, broadbased, appropriate structure training and experience transfer. The task is substantial, but possible.

* Women's Role

92AF07380 Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 p 53

[Article by Bridgette Mosepe, Managing Director of Projects International, a company that initiates and facilitates capital investments as well as industrial and agricultural development in Southern Africa: "Hard Day's Night for Women"; first paragraph is DIE SUID-AFRIKAAN comment]

[Text] Not only do black women raise children and keep the home fires burning, they also run most of the township spaza shops. But their billion-rand role in the economy is fraught with difficulty, and inadequately acknowledged.

The black female entrepreneur is a dynamic individual. She works hard, she is enthusiastic, she is a motivator, a persister, a fighter and a survivor.

These phrases describe a very special person whose origins must be understood if one is to appreciate her contribution to the economic welfare of our country.

In the first place it is necessary to be aware of the social, political and economic status of this entrepreneur. She is a woman and a black person. In black culture women are regarded as minors, along with children. The fact that she is a black citizen of South Africa does not improve her status.

The majority of women are mothers. Some are married but many are single parents. Recent surveys show a sharp decline in the number of mothers who are married—46 percent at present compared to 63 percent in 1983. Numbers of those bringing up children on their own have increased to 33 percent, up from 20 percent in 1977. Few women have neither husband nor child.

This female entrepreneur endures the social, economic and political pressures experienced by every black South African, only her fight is harder and more complex.

Her life in the townships is not a paradise either. She worries about social unrest which is beyond her control. Many of her family members are unemployed and are

supported by her, the high cost of living notwithstanding. She hopes anxiously, with other mothers, that schools will be boycotted less and that her children will enjoy a better education. Rent boycotts, dusty roads, crime, inadequate housing and many other depressing township problems cause her severe stress and tension.

Despite all these problems she continues her struggle for survival. She desires a better education and lifestyle for herself and her children. In 1988, 29 percent of housewives with an income above R[ands]900 saved half of it. Banks took 14 percent of black savings in 1988 and Building Societies, 12 percent. These figures are on the increase.

Black women have become politically active. Together with their husbands, children, friends and relatives they have fought against political oppression. Even the female entrepreneur is expected to respect stayaways, business boycotts, consumer boycotts, labour strikes and all other political activities in which township residents are involved. Naturally, her business suffers losses during political upheavals. This is a sacrifice every business person makes to the struggle for political emancipation.

Women in South Africa have contributed and are still contributing on a significant scale to the economic welfare of this country. Black women are in the process of attaining economic independence. In the past many women used to work in the fields while their husbands sought jobs in the urban areas. Women were skilled farmers and homesteaders.

Today it is common to find rural women migrating to cities for employment. Urban women have ventured into spaza shops, some are hawkers, others are dressmakers, cafe owners and taxi operators. The traditional healers or inyangas have become successful businesswomen. Stokvels have mushroomed all over the locations. Shebeen queens and tavern owners are also part of the black female entrepreneur group.

All of them form part of the informal sector which includes an estimated 40,000 spaza shops in black townships with a total annual turnover of about R5 billion. About 30 percent of all fresh produce sales are sold by spazas, which also sell about R1.2 billion worth of mealie meal and R720 million worth of rice each year. The majority of spaza shops are managed by women.

Despite their impressive spending and purchasing power, black female entrepreneurs lack business skills and adequate knowledge of the financial principles of buying, marketing and costing. These are major hurdles for business development. There are also very few black female managers. Official figures suggest that in formal enterprises black women comprise only 17 percent of all black managers.

Some of the women in these positions used to work for companies; they acquired skills in these posts and then entered the entrepreneurial field in the formal sector. There are a few public relations practices, marketing

consultancies, personnel agencies, medical practices and training schools owned by black women.

These women are a handful, and are members of the upper income group. Many live in areas that were previously reserved for "whites only" and their businesses are in the cities. To the women in the informal sector, these women in the formal sector are role models who are held in high esteem.

* Affirmative Action

92AF0738P Cape Town *DIE SUID-AFRIKAAN*
in English Apr/May 92 pp 54, 56

[Article by Linda Human: "An Argument for Affirmative Action"; first paragraph is *DIE SUID-AFRIKAAN* comment]

[Text] A major problem with many affirmative action programmes is that they do not concentrate on development. New black and female recruits are allowed to flounder. But this does not mean that affirmative action cannot work.

Although many of the discussions on affirmative action represent genuine and concerned attempts to come to terms with a complex and controversial subject, assumptions are often made with respect to quotas, tokenism and a lowering of standards without an assessment of problems and how they can be overcome.

Four phases can be distinguished in a classification of affirmative action programmes, namely desegregation, formal equal opportunity, fair equality of opportunity and affirmative action. Maphai argues that these stages follow each other in sequence and that the affirmative action presupposes equal opportunity which should be the ideal towards which society should work. In fact, affirmative action is a means of achieving equal opportunity rather than being a supplement to it.

Despite their track record in both this country and the United States, affirmative action programmes appear to constitute an important mechanism for achieving equal opportunity. However, the failure of some programmes suggests that the model of people development on which such programmes are based is fundamentally flawed. Indeed, a major criticism which could be leveled against many affirmative action programmes is that they do not concentrate on the development of the disadvantaged at all.

The central thrust of such programmes is the recruitment process, according to which blacks and women are brought into organisations and allowed to flounder. A concentration on recruitment, and particularly on quotas in recruitment, will lead to tokenism and backlash. In a sense, what many organisations are doing is recruiting blacks and women, who are assumed to be less competent, into higher level positions and then blaming them for what amounts to no more than self-fulfilling prophecy.

Affirmative action programmes should be concerned with development; the development of formally disadvantaged groups to compete on an equal basis with white men. To concentrate simply on preferential or quota hiring, is to perpetuate the racism and sexism which have existed for so long. What is fair or affirmative about recruiting disadvantaged individuals for failure? Recruitment in the absence of development will tend to perpetuate the status quo and represents a continuation of racism and sexism of the past.

Development constitutes more than simply the education and training of disadvantaged groups. An individual has not only to be able to do a job, but also to be willing to be allowed to do it. In other words, development is not merely a process which is effected by, and dependent on, the rather static conception of the ability of the individual. It rather is a process in which ability can increase through the dynamic and complex interaction between the individual's perceived ability, his or her motivation and the way in which the person is managed.

If the person is managed badly, either because the manager has not been shown how to manage people; or because the manager has preconceived notions concerning the ability of members of other race or sex groups; or if the manager is not assessed and rewarded or sanctioned in terms of his/her own performance appraisal on the development of people, then it is highly unlikely that the subordinate will develop to the extent that she/he otherwise might. Management has a crucial role to play in the development of newcomers, the realistic assessment of standards, and in assisting newcomers to achieve them.

If standards drop, management is as much to blame as newcomers. Unless entrance criteria have been shown to have predictive validity with respect to performance on the job, the negative expectation of management that influx of the disadvantaged will lower standards, leads to the anticipated outcome and reflects a failure of management to ensure that the newcomers develop to the required standard.

Such negative expectations impact adversely on the self-esteem and self-confidence of the disadvantaged. This, in turn, can lead to demotivation, a reluctance to try hard, a withdrawal from competitive situations and feelings of inferiority, all of which in turn reinforce the negative expectations of white men.

A poorly implemented affirmative action programme based on suspect intentions will probably do more harm to the disadvantaged than good. A committed and well-implemented affirmative action policy should be designed in such a way as to overcome paternalism and benevolence, "caps in hand" and negative expectations.

It would do this by stressing both the process of development and the role played in it by self-confidence. It would attempt, in other words, to address the feelings of inferiority and superiority engendered by racism and

sexism and to view development as the joint responsibility of disadvantaged newcomers and management.

To conclude, affirmative action can be viewed as a systematic means of achieving equal opportunity by compelling "thoughtfulness about ways of doing things, that have hitherto been automatic." It can be implemented without tokenism and without a lowering of standards, if it involves the development of people on the job as well as promotion on merit and affirmative action in the selection and recruitment stage only.

Development, in turn, involves far more than just the education and training of disadvantaged groups; it requires the ongoing commitment of management to the development of those at lower levels. There exists no "quick fix" to the development of people; development requires time and effort. But to accuse affirmative action for the failure to develop blacks and women thus far is to misplace the blame and to let noncommittal organisations off the hook. Quite simply, it is to throw the baby out with the bathwater.

* Look at Cooperatives

92AF0738Q Cape Town DIE SUID-AFRIKAAN
in English Apr/May 92 pp 57, 59, 64

[Article by Wilfred Wentzel, Senior Research Officer at the South African Labour and Development Research Unit at the University of Cape Town: "Co-operatives: Taking Another Look"; first paragraph DIE SUID-AFRIKAAN comment]

[Text] Co-operatives have a chequered history but pessimism about their potential is misplaced. If realistic business principles are applied instead of the "quick fix" expectation of miracles, these community ventures can work well.

The turn of the century witnessed a peculiar European export to Africa—the co-operative—one of the "civilising instruments" of the colonial missionaries. A second wave of euphoria about co-operatives came from left-wing, post-independent African governments, who saw them playing a role in developmental programmes.

These programmes proved disastrous in virtually all cases because they ignored contextual conditions, local initiatives, and participatory planning and management systems involving the local target constituency. Bureaucratic systems were installed, but failed due to the absence of experienced and competent people.

During the 1970s and 1980s a third wave of co-operatives reached the white-dominated south of Africa, becoming part of the mass-based opposition to the apartheid and capitalist status quo and of the search for vehicles of people's power.

Community-based economic projects were perceived as critical instruments in the strategy to combat high unemployment levels. They attempted to accomplish this in a

manner compatible with the aspirations of the democratic movement taking shape countrywide.

Co-operatives that surfaced amidst this situation of crisis management were fascinating initiatives:

- Funds were available as donations from corporate enterprises and accredited anti-apartheid donor agencies for economic ventures that would provide employment, generate an income and empower unemployed black people from impoverished communities;
- trade unions and trade union federations displayed a keen political interest in grassroots business initiatives which could provide practical schooling in democratic forms of worker control over economic resources;
- community consultants and service organisations placed their resources and expertise at the disposal of such initiatives;
- unemployed workers, generally from marginalised segments of the labour force, welcomed this option in the daily battle to keep body and soul intact.

Imaginary Solutions

However, research conducted by the World Bank during the 1980s revealed that rural projects in the Third World have an excessively high mortality rate—80 percent fail. Urban development programmes have an equally disastrous track record.

Good intentions and concern for the marginalised, embattled rural communities obviously fuelled such projects with very real financial, technical and human resources. In this regard "imaginary" seems an inappropriate term to capture the process under review. The point worth highlighting, however, is that these very real resources were inserted into an imaginary developmental strategy, agenda and process.

The very real social constituencies entered the developmental equation as invisible, drawing-board variables, without context, culture or history. The disastrous results cited above highlight the differences and the very real gulf which segregated the distributors of scarce resources and their supposed beneficiaries—the marginalised poor.

It is imperative that this gulf of differences be explored, probed and bridged in order to circumvent the catalogue of tragedies that seems endemic to the development process.

Funders generally made financial contributions as a means of demonstrating their commitment to the empowerment of black people who were victims of economic marginalisation. The presentation of a democratic constitution and visible exhibits from the target constituency were necessary and sufficient conditions to warrant a grant.

In one such case a donor agency was presented with an application for assistance from an individual who dreamt of starting a "klein koperasie." The negative response explained that the agency only funded co-operatives, not small business operators. Shortly thereafter, the same agency received a second request for funds from the same person—only this time he was into starting a "klein ko-operasie."

The above example of social entrepreneurship notwithstanding, many fine co-operative initiatives surfaced during this period. Kate Philip's survey of co-operatives in 1988 revealed a total of 64 in the country. Of these, 40 specialised in manufacturing clothing, with craft products like pottery, beads and leather items as a second area of concentration.

Yet, the findings on average levels of income and technical and administrative problems were far from inspiring. The product range in which producer co-operatives tend to specialise is extremely restricted. In addition, the economic sectors in which they feature are fiercely competitive. The constituency from which members are drawn may well be a disabling factor if we consider the following results furnished from a survey of 33 members distributed over four producer co-operatives in the clothing business:

- Only two had completed their secondary schooling;
- some 30 percent had not ventured beyond primary school;
- some 93 percent had not ventured beyond standard eight;
- not one had been exposed to any form of tertiary education;
- members entered co-operatives between the ages of 28 and 36;
- some 61 percent had previously occupied unskilled job functions, with about 40 percent of the total restricted to domestic work;
- the 39 percent who responded that they were skilled had only a minimum of four years of work experience in clothing manufacturing factories.

These profiles are fairly representative of the average co-operative—at least of the more fortunate ones.

In contrast, the average clothing factory worker in the Western Cape—where the survey above was conducted—has the following profile: Female, who leaves school at age of 14 to 16 after primary school or standard seven to work in a clothing factory. By the time she is 26 years old, she is a veteran assembly line operator.

The variables listed above—schooling, skill level and years of factory work—provide a reasonable formal indication of the human resource pool utilised by most sewing co-operatives in the country. Business enterprises

differentiated solely by the above staff profiles will yield very different output levels and qualitative standards.

In this scheme of things co-operatives were in effect learning centres in technical, administrative and business management skills. The obvious challenge was to find trainers who could devise appropriate and user-friendly communications, didactic, technical and organisational systems susceptible to manipulation by this constituency. Naturally, the role of trainer, mentor or instructor of these co-operatives—often a well-motivated development worker—was crucial for the operational success of these ventures.

During the "good" days donor agencies waxed enthusiastic about funding co-operatives because they were perceived as significant employment creation and empowering instruments for a marginalised black constituency. The funding cycle and actual allocations were based on ad hoc guestimates more often than not.

The beneficiaries were expected to become economically viable and duly empowered within an amazingly short period of time—in some cases instantly. Belief in economic miracles displaced sensible business calculations. Or, was it not really a matter in many cases of capturing that heart-rending photograph and tale for the corporate brochure?

Real Challenges

Co-operatives resemble the small business venture as far as scale of enterprise is concerned. The casualty list of small businesses makes grim reading—10 percent do not survive beyond two years, according to one estimate. Yet, a recent survey of informal sector clothing manufacturers in Mitchells Plain produced a few pleasant surprises:

- Wages paid to employees approximate those paid in the formal industrial sector;
- on average these home-based ventures had been operating for two-and-a-half years;
- some 74 percent of the operators had over 10 years of factory experience in the clothing sector;
- some 58 percent of the sample endured schooling until standard six;
- cut-make-and-trim contracts provided the main form of work.

Numerous instructive lessons for co-operatives can be drawn from the information furnished.

The skill profile of those involved in the relatively successful informal sector ventures surveyed was much the same as that of "average" factory workers, but it differed dramatically from that of your typical sewing co-operative member. The most significant variable is years of factory experience.

The fact that the informal sector ventures had secured contracts for cut-make-and-trim (CMT) work on a relatively continuous basis was a second significant difference. Conventionally sewing co-operatives decide on a line item, produce it and then search for a market. The CMT arrangement injects a qualitatively different dimension to the purchasing, productive and marketing aspects of a small-scale enterprise.

The principle difference is that the market determines the product range. Products have to comply with acceptable qualitative standards. Output levels are determined in accordance with deadlines negotiated between sub-contractor and contractor. Materials and designs are provided by the contractor, which saves the informal sector operator from having to purchase large quantities of raw material.

This eases the usually critical cash flow situation of the informal sector operator or co-operative. The cash flow situation is also enhanced in another way—money is no longer tied up in surplus stock which adorns shelves since the contractors pay on completion of the order, or within reasonable time.

Admittedly there are snags in the above arrangement. Quality, costing and output levels must be sensibly negotiated. If not, the devious and unscrupulous contractor may exact his pot of gold from the weaker sub-contractor with scant regard to the business calculations of the junior "partner."

Start-up sewing co-operatives are seldom in a position to entertain the above type of cut-make-and-trim arrangement. The skill-pool factor is an obvious obstacle. There are, however, a few interesting examples of co-operatives and small business operators sharing machinery and orders. This has definitely assisted co-operatives in setting higher standards of workmanship as well as improving output levels.

Rural Co-operatives

In the rural areas consumer and producer co-operatives tend to have a different texture to their urban counterparts. The sense of community impact, interest and visibility is striking. The productive cycle has a distinct non-urban rhythm.

There are examples of consumer and producer rural co-operatives in parts of Namaqualand which have transformed local communities. In one such case land, which was formerly leased to white farmers, was acquired through a commercial lease by a co-operative and worked collectively. The first harvest yielded a surplus. The effects of the venture were visible to the entire community. The good news, in addition, travelled beyond the boundaries of the village and enquiring guests from distant rural communities visited in search of the recipe of the success story.

In this particular case the organisational consequences were spectacular. Local capacity was considerably

enhanced through effective inter-community as well as rural-urban networks. Technical, organisational and business networks were forged in record time. The myth of rural inertia melted fast.

Numerous "failures" and malpractices in community based co-operative ventures have generated scepticism and pessimism. The mood has swung from euphoria to despair. But the real problem resides elsewhere; it is a more general matter of negotiating, co-ordinating and managing a developmental process in a creative manner. Quick fixes, short-term cycles of interest, and bureaucratic prescriptions are all recipes for disaster.

* Advertising World

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[Article by Tony Karon: "Conjuring a New Reality"; first paragraph is *DIE SUID-AFRIKAAN* comment]

[Text] The subtle (and not so subtle) persuasions of the advertising world can help form positive attitudes towards the emerging new order in South Africa. Images of black and white male bonding over beer do more than sell the brew.

Long before you ever saw black and white people drinking together in your local pub, you had the idea that it was happening somewhere out there. It was. In the imaginary world of TV adverts, black and white men began meeting as equals over a brew.

Advertising generates and authenticates its own reality for us, in a realm somewhere between knowledge and imagination. To the extent that it succeeds, it persuades our memories that there are emotional or material rewards associated with particular patterns of consumption.

It is said that in some Soweto shebeens, men on their second or third Castle can be heard toasting "Charles!" On particularly raucous nights, they have even been known to offer lusty renditions of the Castle anthem, drawing inspiration from Charles Glass, whose recently mythologised "mile high reputation" derived from brewing the original Castle lager.

In troubled times, people take comfort (or even xenophobic refuge, as we see in Eastern Europe today) in the notion of a shared past. In the uncertainty of the present, the certainties of a detoxified past offer stability and reassurance. It is a phenomenon which advertisers have long recognised, and translated into money-spinning campaigns for an almost limitless variety of products. Nostalgia sells.

This is where Charles Glass fits in. In 1895, we are told, he brewed the first Castle lager. And as we "know," the taste has stood the test of time. The Charles Glass nostalgia campaign began in the mid-1970s, at about the same time as the beer companies began to promote their

inter-racial drinking in their advertising. The result is a curious hybrid. New South African men, black and white, bond in reverence to a shared past in drinking the beer pioneered by Charles Glass.

The problem is that South Africans share a past permeated with bitter antagonism, even over beer. Until 1961, Africans were prohibited by law from drinking Charles's brew, or any other "European liquor" for that matter. For decades before that, violent clashes occurred periodically over the state's attempts to prevent African people from brewing their own traditional beer. Township beer-halls were a prime target of youth anger in the 1976 revolt, and so on.

A nostalgia which unambiguously spans racial boundaries is nigh impossible for South African advertisers. Nonetheless, South African advertising is rising slowly to the challenge of not only describing, but also conjuring a new South African reality. If they cannot successfully romanticise a shared past for all South Africans, they can seek ways (if often rather clumsy) of healing the hurt.

Thus, when Bankfin shows a black and a white boy fashioning their dream vehicle out of wire, they also show a white kid being taught by his black friend to embrace an age-old township tradition. This points optimistically to a shared future, in which whites learn from blacks.

Art directors are growing more confident at presenting near-realistic inter-racial scenarios around the consumption of their products. Black and white people drink together, play together, smoke cigarettes together and...no, they don't go to bed together, or get married and have children together. They never kiss or dance, and seldom flirt.

When it comes to inter-racial male bonding, advertising is way ahead of reality. When it comes to inter-racial nooky, advertising prefers to demur to existing prejudices, or, if anything, to lag coquettishly behind them.

Women in ads, black and white (and usually separate) look beautiful, cook, clean and nurture their offspring. According to advertising, black and white women seldom play, work or jol together. Indeed, Nedbank goes as far as suggesting that even successful (white) women professionals are destined inevitably to abandon their careers for the soft focus of hearth and home.

This is simply old-fashioned and relatively colour-blind-sexism. It will probably be with us for quite some time. Not surprisingly, therefore, the new South Africa of the beer ads, like the new South Africa in the making at Codesa [Convention for a Democratic South Africa], is being fashioned primarily by the bonding of black and white males.

The relative absence of women at Codesa may be primarily about sexism, in the sense of the denial of women's

competence to represent themselves or men. The absence of women in the beer ads derives, perhaps, from a sexism far more primal.

Women, black or white, represent a major terrain of conflict between black and white men, whose sexuality has been distorted by colonialism. Thus, as the social psychologist Frantz Fanon would have it, the white male is threatened by the imagined greater sexual prowess of the black male, and covets black women both as an act of colonial subjugation and self-abasement. At the same time, the black male comes to view sex with the white woman as the route to overthrow his subjugation. Heavy stuff.

Fanon's views are certainly controversial, but there is no doubting the taboo placed on inter-racial sexuality in South Africa's own history. Notwithstanding the tradition (according to the advertising) that women supposedly don't drink beer, the very presence of women, black or white, may add an antagonistic sub-text to those buddy-buddy beer ads. Even the fact that our State President's very own son has trashed that taboo has not really emboldened our copy-writers, for the beer ads are not the only offenders.

"It is a touchy subject," says Eric Miyeni, one of the handful of black copywriters working in the South African industry. "People are not yet ready for it. Clients are not yet ready to take the risk."

The spectre of inter-racial sexual liaison has even haunted ads depicting children. There was the cutesy Canon colour photocopier ad which depicted a young aspirant philanderer handing photocopied Valentine cards to every girl who passed by him in the corridor of h.s Model B school. Except for the little black girl, who passed by unsolicited. A public outcry led to the ad being re-made, with the little black girl now rendered equally desirable to the insatiable young Romeo.

The racial attitudes among children developed in the Shell "Albert and Freckles" series are also ambiguous. Albert and our freckly white boy sit side by side munching crisps, while Freckles does the talking (Albert, by the way, narrates the black version). Albert and Freckles are both in school uniform, but not of the same school. Freckles flirts with the white girls who arrive in a combi, but it is only when a little black girl pops up between them that Albert raises his eyebrows suggestively.

Of course, there are exceptions who don't express their sexuality within the confines of the old Immorality Act. In the Liquifruit "Forbidden Fruit" ad, a young girl's delicious fruit fantasy has a young black Adonis dancing suggestively among a range of erotic images which leave her smiling knowingly.

Coca Cola has little trouble in depicting young black and white jollers, male and female, connecting in places like Hillbrow with minimal self-consciousness. And in the Mobil "It's not what we do, it's the way that we do it"

series, a white yuppie flirts with a black woman while the ever-smiling Mobil men change his punctured tyre.

Of course, there is still the odd ad that offends the new racial sensibilities. Take IGI Insurance's ad depicting a woman badly injured in a motor accident in the bush, for example. She lies bleeding by the side of the road until her ivory white body is lifted by black hands onto a donkey cart. She arrives at a bush hospital whose stairs are draped with rheumy-eyed black people. In the mists of her semi-consciousness, she discerns a black nurse approaching with a syringe. The woman is saved by an IGI helicopter in the nick of time from the horror of black medical treatment.

While its creators defend the ad as based on the reality of the AIDS epidemic in Southern Africa, it functions to reinforce deep-rooted racist fears.

But generally, South African ads have begun moving into a new era. Besides the overt political ads, the most political of the "new era" spots is for Ohlsson's lager. Not only are we treated to look-alikes of the erratic Colombian World Cup squad coming up against the likes of Zane Moosa and Marks Maponyane (with narration by commentator Roy Bailey), seated in the front row we see look-alikes of Nelson Mandela and F. W. de Klerk. Unlike other beer ads, it is commenting on the political context of the inter-racial bonding described in most other spots.

Of all the beer ads, the most credible are probably the Lion lager ones. While still trapped in the male-bonding genre, they introduce realistic contexts for such bonding (sport and jazz), and include an element of competition.

Thus, we see one ad in which a black executive is called into the office of his superiors, and a moment of uncertainty follows. He emerges promoted to regional manager, and the boys go out for a beer after work to celebrate. Although he joins his colleagues for a pint and wishes the new manager well, the white guy cannot hide his disappointment at not getting the post.

This is the real world, and its message to black men is "go all the way"—don't simply strive for parity, strive to supercede. Such promotion of black individual ambition will be an important component in shaping the business ethos of the new South Africa.

While conceding that black and white mixing needs to be made more relaxed and natural, BSB Bates creative director Mike Friedman is positive: "Paradigms are shifting, moulds are being broken, and the industry is moving forward."

Of course, subjecting advertising to the often trite test of "political correctness" is not the primary concern of the advertising industry. They are concerned, however, to hit the spot, in a consumer market which is overwhelmingly black. The industry has begun to discover that

simply translating ads developed with, say, English-speaking middle-class people in mind, is not necessarily going to prove effective.

The Hansa pilsener anti-lager campaign is an obvious example. Market research found that the initial TV spot, which depicted boring accountants ordering lager, had a very different meaning for black and white audiences. Not versed in the nuances of jokes about accountants, most black viewers had a positive view of the men in suits seated at the bar—by the way they were dressed, they looked successful.

Given that finding, it is strange, perhaps, that subsequent versions appear even more inscrutable. The issue, however, is developing adverts which are not only comprehensible to, but titillate their target audience.

Miyeni argues passionately for a universal language in South African advertising, rather than focusing ads specifically at the black population. "In the new South Africa," he says, "the best ads will be those that forget those demarcations, and focus on the virtues of their product. Of course, they have to be sensitive to whether the message will be universally understood and whether it is racist, but the best new South Africa ads will be those that leave behind old values."

Friedman is more cautious. He believes a universal language is possible, but only really at the top end of the market. "Your BMW ads have a universal appeal, but its not as easy for a washing powder," he explains. He sees South African advertising as stuck in a First World paradigm, when its target market is distinctly Third World.

"We're writing things which amuse each other and the award judges, rather than for most of our market," he complains.

The major problem here is one of staffing.

"There are very few black copywriters," Friedman notes. "Whiteys who never go near a township are writing all the copy. Most advertising is created in English, for an English-speaking market, which is, of course, a tiny share of the real market. The creative brains then hand it over for translation into 'other languages', and go off for lunch. Very few art directors know the products, or the people who use them. We won't be doing true South African advertising until the copy is being written by people who have a feel for the market."

Gradually, more black people are being employed in the industry, and no longer simply to translate concepts developed by white copywriters into black idioms. Miyeni believes that while there has been some improvement, there are still far too few black copywriters in the industry.

Friedman agrees: "We've been woefully bad in that respect. At this rate, apartheid will continue in advertising long after it has ended in reality."

Miyeni believes that when he entered the industry a couple of years ago, he was even expected to curb his ambition: "They made it clear they didn't want me to do too much."

Appointing young black talent into creative positions has now become a priority for many top agencies. A new South Africa is in the making, with all its problems and ambiguities, and this is reflected in the approximate reality generated by those 30-second TV spots.

"Advertising is a mirror of society, but it can also be a beacon for society," Friedman believes. "In England, the 'caring-sharing 90s' were ushered in by advertising long before anywhere else—advertising can be used to positive social effect."

As the industry slowly transforms itself to keep pace with the market, new South African ads can, in their own quirky way, contribute towards fashioning positive attitudes and healing the hurt of our past. After all, its inner logic is subtle (or not so subtle) persuasion.

* Advertising Industry

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[Article by Peter Vundla, Managing Director of HerdBuoys Advertising & Marketing: "There Is Still That Gap Between Worlds"; first paragraph is DIE SUID-AFRIKAAN comment]

[Text] White domination is alive and well in advertising industry. Until the establishment of HerdBuoys the only roles for black people were labourer, consumer or alleged black market guru.

South Africa has an extremely well-developed advertising industry equal to, if not better than, most countries. However, because of historical, political and economic injustices, the advertising industry in this country is largely white-dominated.

By that I mean all full-service advertising agencies in South Africa—barring HerdBuoys—are not only one hundred percent white-owned, but the advertisers, production houses, media owners and the creative market are all lily-white.

Black people have been confined to supplying labour, consuming goods and services, and, latterly, filling the debilitating role, created by white advertising and marketing management, of so-called black market gurus.

As in other industries, apartheid has given white people the advantage of economic domination which was made to be self-perpetuating through denying black people any kind of training in the advertising industry. Where training was supplied, it was motivated by liberal consciences or a demand by marketers for a greater understanding of the so-called black market.

The result has been that there are probably no more than ten black professionals who are truly well-versed in the advertising discipline. The picture becomes bleaker if one considers other facets of the advertising industry. For example, there are no black-owned manufacturing or commercial enterprises. There is not a single black print or television production house; blacks do not own a single radio or television station, or publishing house, and so on.

It thus becomes apparent that there is in fact no black advertising in South Africa. There is no black-owned advertising agency targeting its communications on an exclusively black audience on behalf of black advertisers. But then, in an ever-changing South Africa, who wants an advertising agency that is geared exclusively to a black market on behalf of black advertisers who do not exist?

When HerdBuoys was established in April 1991, we did not seek to produce a black advertising industry, attractive as that may sound. What the five founding members sought to do, and are succeeding in doing, was to establish a full-service advertising agency that would communicate with all markets across all media. The agency was established not solely on a desire for black economic empowerment, but on the very obvious need for a truly South African agency that can communicate effectively with all segments of the South African market.

As Gordon Sherman has said, "There is still that gap between the black and white worlds, and there are certain men who seem to know their way about in both, and they are usually black. There are some men who sometimes think erroneously that they know their way around both, and they are usually white."

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